Contents

- 1. Executive Summary
- 2. Commercial Excellence
- 3. Product Development
- 4. Technical Operations
- 5. People
- 6. Financial Budget
- 7. Wrap Up



2015 Budget Executive Summary

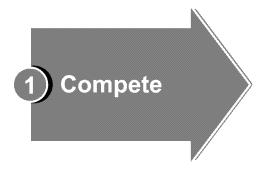


Mark Timney
November 2014

TREAT SUBJERO TO ORDER

Purdue's Strategy

Status



Strengthening our operations & capabilities to compete more effectively

Significant Progress



Optimizing our pain assets to win in the marketplace

Significant Progress

3 Grow

Expanding our portfolio to grow beyond pain

In Process



Purdue's Six Must Wins

Achieve Commercial Excellence

Adopt a Lean Operating Structure

Optimize the Pain Portfolio

Become the Preferred BD Partner

Demonstrate Our Value to Customers

Recruit, Retain & Engage the Best People



TREAT SUBJERON TO OR OF THE ORDER

Achieving Commercial Excellence

Projected to exceed sales target by \$273 million

Launched E2E and R2R programs, to boost revenue and profitability

Built standardized marketing process to optimize portfolio value

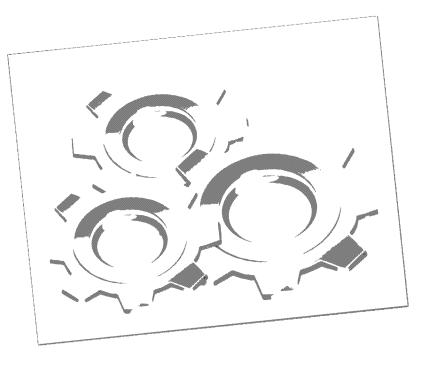
Upgraded Managed Markets organization and capabilities





TREAT SUBJERON TO OR 2149 TIVE ORDER

Adopting a Lean Operating Structure



Cut operating expenses by \$293 million

Reduced headcount by 143

Restructured R&D to reduce costs, virtualize discovery and enable BD

Reduced TechOps headcount despite 30% increase in volume

Offset merit increase and bonus costs with operating expense reductions



TREAT SUBJERO TO OR 249 TIVE ORDER

Optimizing the Pain Portfolio

Concluded ADF project assessment and three programs are underway

Helped pass nation's first pro-ADF law in Massachusetts

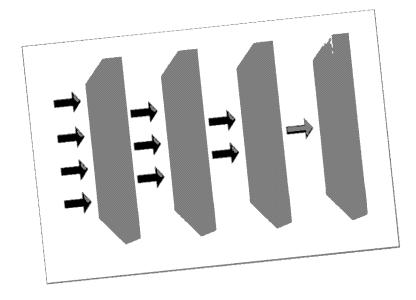
Prepared for Hysingla launch while rejuvenating OxyContin & Butrans





TREAT SUBJERON TO OR OF 2749 TIVE ORDER

Becoming the Preferred BD Partner



Built BD screening process that has triaged 300 assets across all TAs

Prepared to debt finance acquisitions

Developed corporate messaging platform for use with potential partners

Acquire one late-stage asset or company through BD transaction



TREAT SUBJERT TO OFF 2149 TIVE ORDER

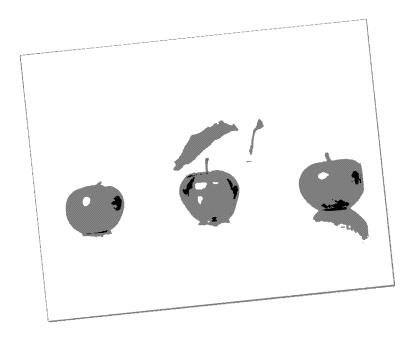
Demonstrating Our Value to Customers

Restructured Medical Affairs to enable Commercial - R&D collaboration

Launched a cross-functional initiative on IDN-specific value propositions

Recruit a new head of Medical Affairs

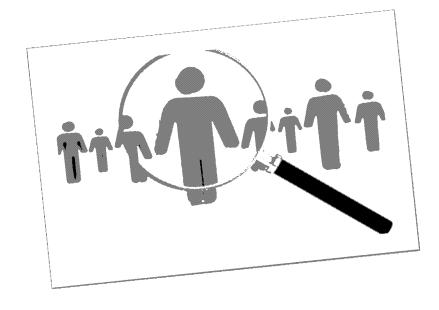
Fully leverage existing and potential data for optimal value demonstration





TREAT SUBJ**POT 10 POTO 249** TIVE ORDER

Recruiting, Retaining & Engaging the Best People



Restructured the Commercial and R&D organizations

Selected and implementing new Talent Management system

Launched "4As" culture change initiative to strong colleague response

Identify talent / capability gaps and deliver response plan



2014 P&L

<u>\$MM's</u>

	2014 Budget	2014 Latest Estimate	Variance Fav / (Unfav)
Net Sales	1,534.4	1,807.1	272.8
Settlement Impact - Gross Profit	(194.6)	(76.5)	118.1
Operating Expenses	(690.2)	(720.4)	(30.2)
Operating Profit - Purdue	595.3	818.0	222.6



2015 P&L

<u>\$MM's</u>

	2014 Latest Estimate	2015 Budget Proposal	Variance Fav / (Unfav)
Net Sales -changes due to settlements	1,807.1	1,287.2	
-changes due to settlements -changes due to other			(313.0) (206.9)
Settlement Impact - Gross Profit	(80.5)	(339.1)	(258.6)
Operating Expenses - before Hysingla - Hysingla	(720.4)	(547.4) (108.2)	173.0 (108.2)
Operating Profit Purdue	818.0	435.6	(382.3)



2014 – 2015 Headcount

	2014 Opening Headcount	2015 Budget Proposal	% 2014 Jan. vs. 2015	2014 Jan. vs. 2015
G&A	393	308	-22%	(85)
S&P	752	728	-3%	(24)
R&D	347	186	-46%	(161)
Tech Ops -COGS	275	250	-9%	(25)
Tech Ops - Durham		32	0%	32
TOTAL	1,767	1,504	-15%	(263)



TREAT SUBJEOT 14 FONO 249 TIVE ORDER

The External Environment

The Economy



US: Largest global market



Health spending rising fast



Opportunity for adaptable Rx firms

Stakeholders



ACA: Higher cost pressure for payers



Accelerating provider consolidation



Increased consumer choice





Strengthened operations & capabilities to compete



Optimizing our pain assets to win



Expanding our portfolio to **grow** beyond pain



Conclusion

Strong 2014 Performance

- ✓ Sales \$273 million above budget
- ✓ Expenses \$293 million below 2013
- ✓ Net income \$223 million above budget
- ✓ Hired top talent

Prepared for 2015

- ✓ Continue to stabilize and grow core business
- ✓ Launch Hysingla with optimal support
- ✓ Investing in business development to grow
- ✓ Continuing cost discipline and culture change



2015 Commercial Budget Review

Saeed Motahari November 2014

File Name: 2014-10-23 Commercial Budget Board Presentation (Board)

A. Budget & Commercial Review

- Executive Summary: 2014 & 2015 Financials
- External Market Dynamics
- Progress Update on Building Commercial Capabilities
- Net Sales, Key Success and Risks
- Headcount, S&P and P&L Review

B. Brand Reviews

- OxyContin
- Butrans
- Hysingla ER
- Laxatives

Executive Summary: 2014 Financials

- 1 Strong performance with LE Gross Sales of \$2,571M vs. \$2,259M (+14%) for Budget
- 2 LE Net Sales of \$1,807M , \$273M (+18%) ahead of Budget
 - OxyContin: \$261M (+20%) ahead of budget driven primarily by \$93M (+7%) from stronger demand and \$96M (+7%) from shifting of generic settlements to 2015
 - Butrans: \$5M (+4%) ahead of budget¹ including \$19M (+15%) of stronger demand (balanced by higher rebates from improved coverage and unfavorable inventory variance)
- 3 Demand driving significant favorability with TRxs higher vs. Budget across products:
 - Butrans YTD TRx is 22% higher vs. 2013 YTD and 8.7% higher vs. Budget
 - OxyContin YTD is -3.6% vs. 2013 YTD and 4.7% higher vs. Budget
- 4 LE S&P of \$258M (14.3% of net sales) is in line with budget²
- 5 LE operating margin as percent of net sales is 45.3% vs. 38.8% for Budget
- 6 Significant progress in building capabilities and new talent especially in Marketing and Managed Care

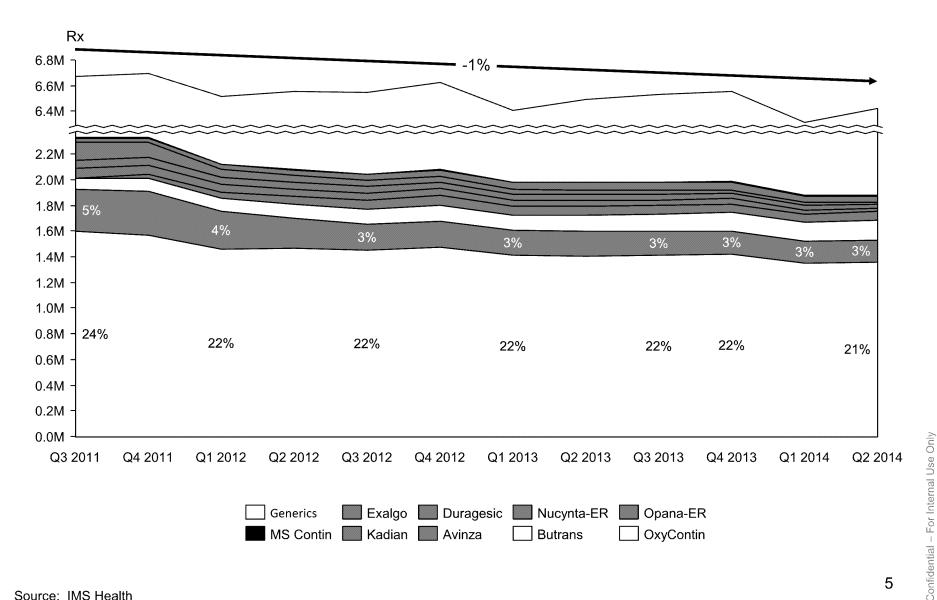
Note: 1) Includes updated return reserve estimates related to prior years; 2) Excluding impact of sales bonuses and savings card driven by sales over-performance

2015 Lays Foundation for Base Business To Return to Growth

- 1 2015 Budget Gross and Net Sales are higher vs. 10 Year Plan
 - Gross sales of \$2,031M are \$64M higher vs. 10 Year Plan
 - Net Sales of \$1,287M are \$158M favorable vs. 10 Year Plan driven by improvements across brands (OxyContin +\$85M, Butrans +\$17M and Hysingla ER +\$55M)¹
 - Rebates as a percent of gross sales of 31% are 6% lower vs. 10 Year Plan
- To support the sales forecasts, the Commercial organization is proposing a **2015 S&P budget of** \$283.2M² (15.0% of net sales when adjusted for AG impact and Hysingla ER)
 - Hysingla ER total S&P is \$81.8M³
 - In line with 2014 LE (15.2%) and other historical budgets
 - Net headcount reduction of 11 people versus 2014 (reduction of 28 from base budget with 17 additions to build new capabilities)
- 2016 gross sales of \$2,147M and net sales of \$1,296M could represent a return to a growth trajectory for the base business (the first growth in net sales since 2009)

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Both the Overall ERO Market and Branded ERO Continue to be Under Pressure



Source: IMS Health

External Market Dynamics TREAT SUBJECT 21 FOR D249 TIVE ORDER

Market Impact

Opioid Rescheduling

- Rescheduling of hydrocodone and tramadol could:
 - Reduce the overall size of the hydrocodone IR market
 - Reduce barriers to switching hydrocodone IR patients to EROs
 - Improve relative accessibility of Butrans (currently CIII)



Managed Care

- Increasing pressure from managed care organizations resulting in:
 - Tighter utilization management including more use of exclusion lists
 - Demands for higher rebates on branded products
- Managed care taking more active role in opioid abuse management (e.g., BCBS Tennessee)



Policy

- Class-wide and state-level regulatory changes (e.g., limiting daily dose, mandated reporting)
- DEA guidelines may result in reduction / limitation of supply to wholesale distributors and retail pharmacy chains reducing patient access
- However, some state legislation favoring ADP products (i.e., Massachusetts)



Abuse Deterrent Properties (ADP)

- FDA guidance / regulations on abuse deterrence has been favorable for OxyContin to date
- Competitors are launching abuse deterrent technologies which could confuse the marketplace and dilute Purdue's ADP differentiation



Integrated **Delivery Networks** (IDNs)

 Increasing prevalence and evolving business models for IDNs could impact current pain management practices including potential to limit access to branded products



Executing Against Corporate Strategy

Building internal capabilities to manage and capitalize on external trends



Serving Patients and Customers

Opioid Rescheduling

> Managed Care

> > **Policy**

Abuse Deterrent Properties

Integrated Delivery Networks

Our Strategic Intent

Profitable Growth

Our Strategy: Rebuilding Purdue to Compete, Win and Grow

2. Optimizing Pain Assets

3. Expanding Portfolio

Our "Must-Win" Areas				
Become the Preferred BD Partner	Achieve Commercial Excellence	Adopt a Lean Operating Structure	Optimize the Pain Portfolio	Demonstrate Our Value to Customers

Recruit, Retain & Engage the Best People

Executing Against Corporate Strategy

Building internal capabilities to manage and capitalize on external trends

Opioid Rescheduling

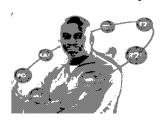
Managed Care

Policy

Abuse Deterrent Properties

Integrated Delivery Networks

- 5 new executives, replaced 3 and 2 open headcount
- New organizational structure
- Rolled out 7 core capabilities



- Key Deliverables:
 - Hysingla ER Payer Segmentation& Contracting Strategy
 - Payer Value Prop
 - Contract Profitability Model
 - Co-pay Card Program
 - New Marketing System
 - IDN Engagement Strategy
 - Patient Flow / Market Structure
 - LTC & Medicaid Strategies

2. Optimizing Pain Assets

- Developed launch strategy and execution plan for Hysingla ER
 - Launch Management
 Office (LMO)
- Refined the ADP strategy
- Enhanced focus on sales force execution (E2E)

3. Expanding Portfolio

- Established external ad boards with KOLs and Payers
- Implemented consistent process and framework for commercial / BD assessments
- Developed systematic process for market research

Hysingla ER Segmentation & Contracting Strategy



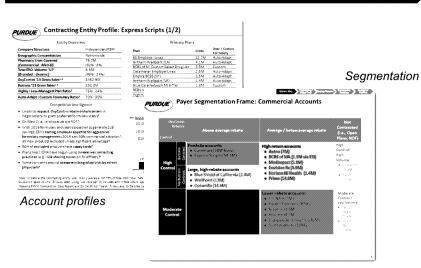
CONTEXT

Launch preparation includes managed markets strategy

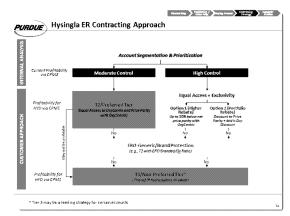
OBJECTIVE / OUTCOME

Ensure profitable access with key accounts; enter negotiations with account-specific approach

Understand and Segment Contracting Entities



Define Negotiation Approach for Each Contracting Entity



Negotiation approach

- Created detailed profiles for top accounts
- Segmented by OxyContin contract performance (i.e., rebates and volume) and level of control
- Develop negotiation approach by segment
- Leverage profitability model to adjust rebate ranges as necessary by account

Payer Value Proposition Development



CONTEXT

Payers are demanding increasing levels of evidence to demonstrate clinical and economic benefit

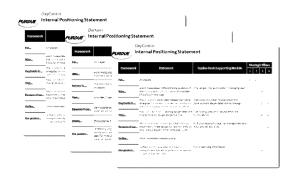
OBJECTIVE / OUTCOME

Develop aligned unbranded and branded materials to educate payers and achieve profitable access

Internal Positioning

Internal Resources

External Resources



Value Proposition

Commercial Excellence – Lunch & Learn

Payer Point of View

Managed Markets Internal Awareness

Profitability Model – pending

How to Present a Contract – pending

Pharmacy and Distribution Strategy

Market Awareness

OxyContin Topline Deck

Butrans Topline Deck

Hysingla ER Topline Deck

OADP Deck

Hysingla ER BIM Deck - pending

Contract Presentation - pending

- Developed and tested internal positioning statements linked to customer needs
- Developed internal materials to support efforts to promote the payer positioning
- Aligned positioning with customer-facing evidence to create external presentations

Returns to Rebate (R2R) Contract Profitability and Performance Models



CONTEXT

Payers demanding higher rebates for access; Purdue currently paying >\$600M / year in rebates

OBJECTIVE / OUTCOME

Create systematic tool for evaluating profitability and performance of contracts

Profitability Model

Performance Tool

Redacted

- Valuation tool that evaluates the profitability of contracting
- Generates contracting scenarios to conduct profitability analysis
- Tool to evaluate the actual performance of a contract
- Generates a 'return on rebates' that can be used in future contract negotiations

Copay Offset Program

TREAT SUBJECT 27 FONO 249 TIVE ORDER

CONTEXT

Historical distribution of co-pay assistance has been suboptimal

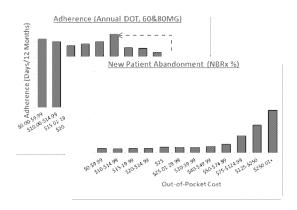
OBJECTIVE / OUTCOME

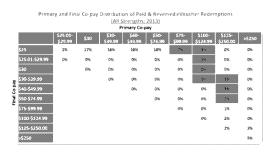
Refine copay program to focus on areas with lower access and high cost sensitivity

Current State Analysis

Optimization

Pilot / Launch







- Evaluate cost sensitivity, primary cost exposure, and price to identify inefficiencies
- Identify options for reducing co-pay offset spend and improving the ROI of the programs
- Implementing test programs in selected states prior to implementation

New Marketing System TREAT SUBJEG 28 FOR DZ 49 IVE ORDER



CONTEXT

To date, we've had an inconsistent approach to marketing

OBJECTIVE / OUTCOME

Systematized and refined the approach better position pipeline and marketed products

Marketing System Development

Execution

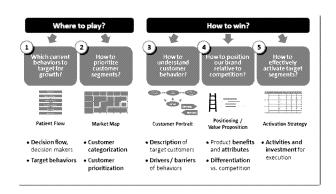


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Developed a strategic marketing system to position Purdue as "Marketing Powerhouse"

Developed brand strategies for OxyContin, Butrans and Hysingla ER following the framework

Integrated Delivery Network (IDN) Engagement Strategy



CONTEXT

IDNs are rapidly increasing and have a different business model than our traditional customers

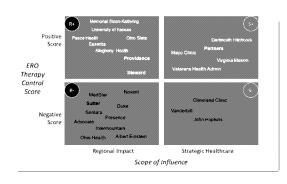
OBJECTIVE / OUTCOME

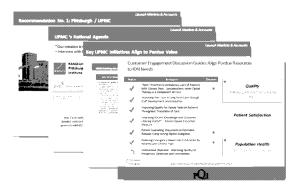
Launch pilot in three markets to test engagement strategies with growing customer segment

Segmentation

Profiling & Value Prop.

Pilot Programs







- Segmented IDNs based on ERO therapy control score and scope of influence
- Profiled target IDNs for launching engagement plan / pilot
- Develop appropriate value proposition materials
- Developed engagement plans to pilot IDN program with three IDNs (UPMC, Fairview, NS-LIJ)

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Patient Flow / Market Structure





CONTEXT

Despite various treatment options, pain patients continue to have meaningful unmet needs

OBJECTIVE / OUTCOME

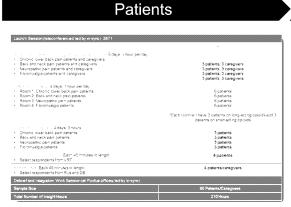
Determine strategic opportunities where Purdue can connect with patients and HCPS in a meaningful, differentiated way

Patient Flow

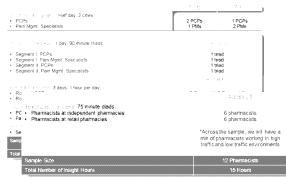
HCP / Pharmacists

Market Structure

Growth Opportunities



Map the role of chronic pain in the life of a patient from a social, physical, and emotional perspective (research with 60 patients)



Investigate the HCP /
Pharmacist perspective
on diagnosis, treatment,
and management of
chronic pain (research
with 36 HCPs and 12
pharmacists)



Identify growth
 opportunities for the
 Purdue opioid portfolio
 and establish, to the
 extent possible, clear
 and distinct positioning
 for each brand

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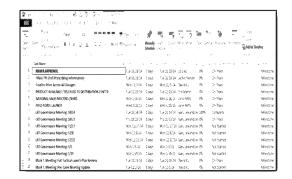
Hysingla ER Launch Management Office (LMO)

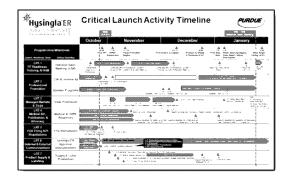
OBJECTIVE / OUTCOME

Our Hysingla ER Launch Management Office (LMO) manages the overall launch governance, including working with the Launch Readiness Teams to report status, monitor interdependencies, and identify / resolve issues

KEY RESPONSIBILITIES

- Ensure cross-functional coordination and communication
- Identify and escalate key risks / issues
- Launch Plan management (739 total lines including activities, sub-activities, and milestones)
- Liaise with executive leadership on the overall Hysingla ER Launch health
- Collaboration with the 7 Launch Readiness Teams (LRT):
 - LRT 1: Field Force Readiness, Training, & National Sales Meeting
 - LRT 2: Professional Promotion
 - LRT 3: Managed Markets & Trade
 - LRT 4: Medical Education, Public., & Physician / Patient Advocacy
 - LRT 5: FDA Filing & PI Negotiations
 - LRT 6: Internal & External Communications
 - LRT 7: Product Supply & Labeling





Net Sales Summary

TREAT SUBJECT 32 FONO 2149 TIVE ORDER

(\$ Millions)	2013 Actual	2014 Budget	2014 LE	2015 10 Year Plan	2015 Budget	2016 Projection
OxyContin	\$1,838	\$1,306	\$1,567	\$916	\$1,001	\$915
Butrans	111	125	122	123	140	156
Hysingla ER ¹	N/A	N/A	N/A	N/A	55	132
Other ²	105	93	100	90	91	93
Returns Reserve Adjustment ³	(7)	10	18	N/A	N/A	N/A
Total Net Sales	\$2,047	\$1,534	\$1,807	\$1,129	\$1,287	\$1,296
% Change		-25% vs. 2013	18% vs. 2014B	-38% vs. 2014LE	14% vs. 2015 10 Yr	

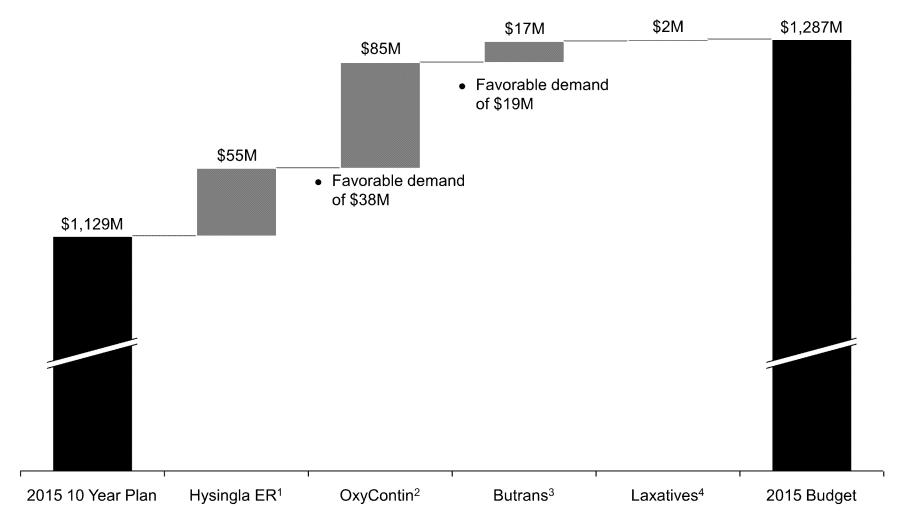
Note: 1) Hysingla ER was not included in 10 Year Plan. 2015 and 2016 forecasts are in line with the August Board presentation. 2) Other includes laxatives, Betadine, MS Contin, Dilaudid. Intermezzo is included in 2013 actual and 2014LE only. 3) Butrans adjustment to move return rate true ups from 2014 to prior periods, reflecting the underlying economics by year

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2015 Budget vs. 2015 10 Year Plan

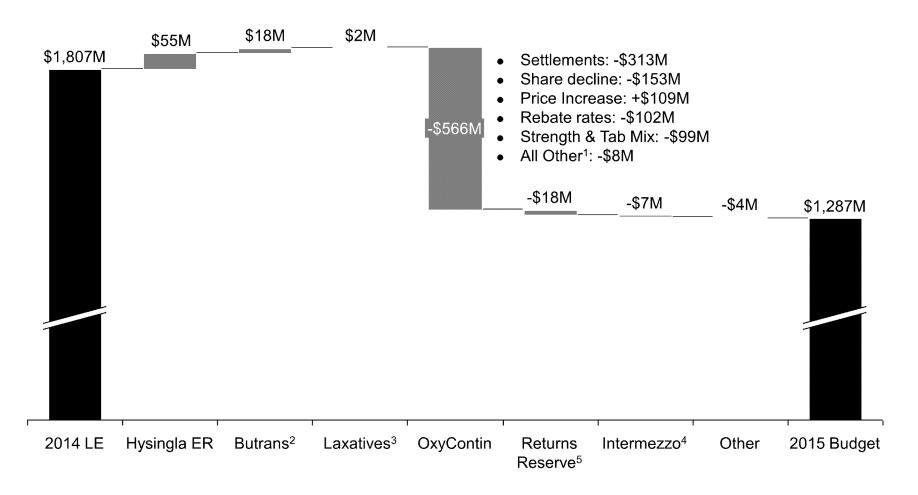
Net sales is favorable vs. 10 Year Plan by \$158M



Note: 1) Hysingla ER was not presented in 10 Year Plan. 2) OxyContin increase is primarily driven by lower rebate rates and a stronger ERO market, but offset by higher settlements and lower share due largely to Hysingla ER. 3) Butrans increase is driven by higher share, and other positive factors (ERO market, price increase, lower savings, cards, etc.), but offset by higher rebate rate 4) Laxatives is largely driven by launch of Colace Clear and anticipated growth in Senokot 50 count.

2015 Budget vs. 2014 LE REAT SUBJEGT 3/4 FOR DZ 49 IVE ORDER

Net sales are declining by \$520M driven by lower OxyContin sales



Note: 1) *All Other* under OxyContin includes +\$18M in Inventory & Data Variance, -\$19M decline in ERO Market, and -\$7M Other 2) Butrans is largely driven by share increase from 2.5% to 2.8% which is in part driven by new Sales & Marketing initiatives. 3) Laxatives is largely driven by launch of Colace Clear and anticipated growth in Senokot 50 count. 4) Intermezzo is excluded from 2015 Budget. 5) Favorable returns reserve true up in 2014 does not repeat in 2014.

2015 Key Success Factors TREAT SUBJ POT 35 FOR DEPARTMENT OF THE PROPERTY OF T

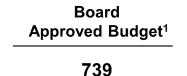
- 1 Stabilization of OxyContin TRx and continued growth of Butrans TRx
- 2 Continue to build core commercial capabilities
- 3 Successfully launch Hysingla ER:
 - Foster accountability around the Hysingla ER launch execution
 - Optimize sales incentives for existing products while allowing for a strong Hysingla ER launch
 - Ensure alignment across functions
- Capitalize on rescheduling of hydrocodone IR
- Augment personal promotions with non-personal tactics (especially for OxyContin)
- Educate stakeholders on ADP and leverage tier 4 labeling when approved
- Champion policy / legislation at the state and national levels

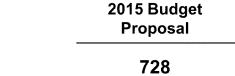
Proposed Net Reduction of II Headcount

28-person Reduction Balanced by Building New Capabilities

New Capabilities	
Institutional Sales	2
Managed Care/Operations ²	9
Marketing – Hysingla ER ³	4
Licensing and Business Development	2
Total	17

Developing a Lean Operating Structure				
Pricing and Contracting ⁴	(9)			
Sales Force ⁵	(13)			
Marketing ⁶	(1)			
Operations	(4)			
Pharmacy and Distribution	(1)			
Total	(28)			

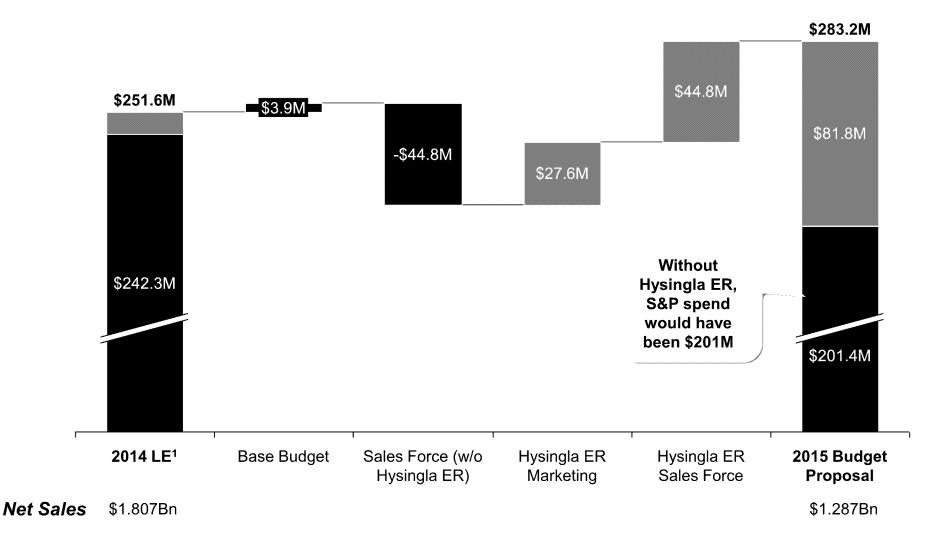




Note: 1) Includes 6 budgeted heads transferred from Finance 2) 6 Managed Care marketers, VP of Marketing and Managed Markets, Head of Operations (Bujnoski), Executive Director of Managed Markets (Kadatskaya) 3) Executive Director of Marketing (Xu) and 3 Product Managers 4) Outsourcing and R2R initiatives 5) 6 Territories, 1 District, 6 reductions TBD targeted for July 1, 2015; 6) Eliminate Executive Director position

Without Hysingla ER, S&P Spend Would Have Been \$201M

📰 Base Budget 📰 Hysingla ER



Note: 1) Excludes sales bonus above target, incremental savings cards and Intermezzo costs of \$6.3M

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2015 Budget Portfolio P&L

Excluding Hysingla ER, 2015 Budget Outperforms 10 Year Plan by \$103M Net

	2013 Actual	2014 Budget	2014 LE	2015 10 Year Plan	2015 Budget	E	2016 stimate
GROSS BRANDED PRODUCT SALES	\$ 2,774,569	\$ 2,258,777	\$ 2,570,884	\$ 1,967,078	\$ 2,031,330	\$	2,146,974
Fee for Service	(54,623)	(44,444)	(51,043)	(38,310)	(40,370)		(42,627)
Discounts and Allowances	(27,325)	(45,300)	(11,435)	(43,748)	(53,674)		(50,637)
Patient Savings Card Discounts	(44,874)	(44,134)	(41,225)	(48,029)	(37,441)		(41,075)
Rebates on Branded Sales	(559,600)	(570,095)	(640,307)	(698,091)	(610,501)		(717,516)
Proposed Regulation Adjustment for Medicaid Rebates	(46,046)	(28,477)	(27,998)	(30,076)	(21,937)		(19,959)
Other	4,844	8,027	8,232	20,272	19,835		20,914
NET SALES	\$ 2,046,945	\$ 1,534,354	\$ 1,807,108	\$ 1,129,096	\$ 1,287,242	\$	1,296,074
Rebates as % of Gross Sales	21.8%	26.5%	26.0%	37.0%	31.1%		34.3%
Cost of Goods Sold	(138,119)	(119,183)	(126,240)	(101,483)	(92,992)		
Royalty Expense	(112,105)	(83,262)	(97,136)	(63,489)	(56,715)		
Shipping and Warehousing	(10,745)	(8,307)	(9,155)	(7,807)	(7,962)		
TOTAL COST OF GOODS SOLD	(260,969)	(210,751)	(232,531)	(172,779)	(157,669)		
COGS as % of Gross Sales	5.0%	5.3%	4.9%	9.0%	4.6%		
Shipping and Warehousing as % of Gross Sales	0.4%	0.4%	0.4%	0.7%	0.4%		
GROSS PROFIT	1,785,975	1,323,603	1,574,577	956,317	1,129,573		
General and Administrative (incl Leg. Dept, excl Fees)	(154,433)	(131,579)	(131,304)	(110,035)	(131,130)		
G&A as % of Net Sales	7.5%	8.6%	7.3%	9.7%	10.2%		
		Redacted					
Research and Development (4)	(296,493)	(229,946)	(195,020)	(144,910)	(149,170)		
Research and Development Other - Milestones and Alliances	(8,518)	(5,181)	(4,999)	(3,999)	(5,610)		
R&D as % of Net Sales	14.9%	15.3%	11.1%	13.2%	12.0%		
Sales and Promotion	(277,775)	(256,630)	(257,939)	(238,041)	(283,158)		
S&P as % of Net Sales	13.6%	16.7%	14.3%	21.1%	22.0%		
Health Care Reform Fee	(29,700)	(28,791)	(33,535)	(18,834)	(17,000)		
Health Care Reform Fee Change in Accounting	<u>-</u>	<u>-</u>	(30,000)	-	-		
Other US	(4,128)	(8,746)	(17,973)	(11,778)	(15,579)		
OPERATING EXPENSES	(840,443)	(690,198)	(720,370)	(570,146)	(655,647)		
Operating Expenses as a % of Net Sales	41.1%	45.0%	39.9%	50.5%	50.9%		
OPERATING MARGIN BEFORE INCENTIVES & SETTLEMENTS	945,532	633,405	854,207	386,171	473,926		
Incentive Bonus	(39,638)	(38,908)	(35,751)	(22,083)	(38,797)		
Insurance Income	990	850	200	500	500		
Settlement Expense	(41,759)	-	(695)	-	-		
TOTAL INCENTIVES AND SETTLEMENTS	(80,407)	(38,058)	(36,246)	(21,583)	(38,297)		
OPERATING PROFIT MARGIN	865,125	595,347	817,961	364,588	435,629		00
Operating Margin as a % of Net Sales	42.3%	38.8%	45.3%	32.3%	33.8%		23

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A. Budget & Commercial Review

- Executive Summary: 2014 & 2015 Financials
- External Market Dynamics
- Progress Update on Building Commercial Capabilities
- Net Sales, Key Success and Risks
- Headcount, S&P and P&L Review

B. Brand Reviews

- OxyContin
- Butrans
- Hysingla ER
- Laxatives

OXYCONTIN

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2015 Brand Strategy and Forecast

- OxyContin remains the dominant branded ERO; however, the regulatory, payer and competitive landscape will put increasing pressure on OxyContin
- Four strategies will drive OxyContin success:
 - Drive profitable access
 - Improve Managed Care Pull-through
 - Increase oxycodone IR conversions
 - Elevate the importance of abuse deterrence
- The current forecast projects a 2015 gross sales of \$1,620M and net sales of \$1,001M
 (-29% & -36% lower than 2014 LE respectively)
 - Decline driven by settlements (\$313M), share decline (\$153M) in part due to Hysingla ER, higher rebate rates (\$102M) and change in strength and tab mix (\$99M), but offset in part by 6% price increase of \$109M
 - The product contribution has improved by \$118M vs. 10 Year Plan despite shifting of AGs
- 2015 **S&P** budget of **\$92.8M** (-14% vs 2014 LE)
 - Marketing \$21.3M (-1.5% vs 2014 LE)
 - Sales Force \$86.1 (-17% vs 2014 LE)

68% of IR oxycodone conversions go to other ERO molecules: Opportunity to increase IR oxycodone to OxyContin® conversion rate

SWITCHED FROM/ADDED TO PRODUCT	OXYCODONE PLAIN, OXYCODONE COMBOS					
Switched To/Added On Product	Sum of MAT TRxs Mar2014	% of Total				
OXYCONTIN*	266,970	32.0%				
GENERIC 2X/DAY MORPHINE	225,771	27.1%				
TRANS. FENTANYL	174,057	20.9%				
METHADONE	61,323	7.4%				
OPANA ER/GENERICS	52,057	6.2%				
BUTRANS*	23,850	2.9%				
EXALGO*	13,398	1.6%				
NUCYNTA ER*	10,466	1.3%				
KADIAN*	3,870	0.5%				
AVINZA*	1,891	0.2%				
ZOHYDRO ER*	168	0.0%				
TOTAL BRANDED PRODUCTS*	320,613	38.5%				
TOTAL ALL PRODUCTS	833,821	100.0%				

Each 0.1% increase in the IR oxycodone to ERO conversion rate equals \$350k in gross sales

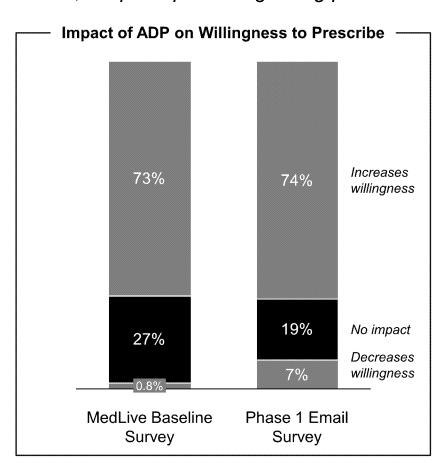
Note: *Branded products

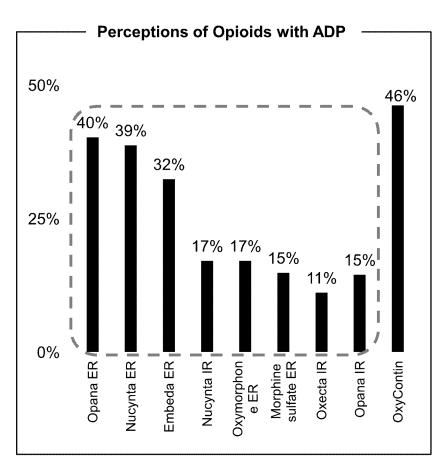
Source: Hydrocodone ER Exploratory, April 2013; HYD Drivers of Choice Report, December 2013; Chronic Patient Flow Study Update,

November 2013

Opportunity to further differentiate OxyContin® versus other EROs and educate on ADPs

Although ~3/4 of physicians indicate an increased willingness to prescribe opioids that have ADPs, misperceptions regarding pain medications and ADFs are common





Note: "Assuming an opioid formulation with abuse-deterrent properties is available, please indicate your likelihood to prescribe this formulation compared with opioid formulations without abuse-deterrent properties.", HCP n=268, Phase 1 Email Survey (Survey Gizmo); "From the list below, please indicate which opioid medications you believe are available as a formulation with abuse-deterrent properties." HCP n=268; MedLive Baseline Survey n=263; Phase 1 Email Survey (Survey Gizmo)

Competitive Entrants with Abuse Deterrent Properties

Several competitors with abuse deterrent properties are expected to enter the market next year highlighting the importance of ADP

	Drug (Molecule)	Current Status	Est. Launch ¹	ADP*	Company
./ st	Targiniq ER	Approved July 23, 2014	TBD	√	PURDUE
Agonist/ antagonis	Embeda	Recalled; re-launch expected in 2014	2014	√	Pfizer
A	ALO-02 ² (oxycodone + naltrexone)	Phase 3	~2016	✓	Pfizer
	Zohydro ER	Launched	Launched	×	Zogenix
one	Zohydro ER with ADF	In development	Q1 2015	√	Z ogeni %
Hydrocodone	Hysingla ER	Ongoing Phase 3s in 2H2013	Q1 2015	√	PURDUE
Hydr	MNK-155 (hydrocodone/APAP)	NDA in 2014	Q2 2015	\checkmark	Mallinckrodt
	TD Hydrocodone	Phase 3	Q3 2015	✓	TIVI 🛓
one	Xartemis XR	Launched	Launched	√	Mallinckrodt
Oxycodone	Remoxy	NDA filed	2015	\checkmark	Pfizer
ÓX	Oxycodone DETERx	NDA filing Q4 2014	Q3 2015	\checkmark	ς COLLEGIUM in the part of th

Sources: * Labels pending final approval; "Challenges For New Branded Extended Release Opioids", Nov. 2013; "New Competitive Entrants in the Opioid Analgesics Category: 3rd Quarter 2013 Update", Oct. 2013; Company websites

Brand Vision and Goals TREAT SUBJEGT 45 FOR DEAD AND THE ORDER



Vision: Leverage ADF leadership and Managed Care coverage to strengthen first line ERO from IR oxycodone switches



2015 Objectives:

- Gross Sales: \$1,620MNet Sales: \$1,001M
- 4.8M Rxs¹

Strategic Pillars

1. Drive Profitable Access

Focus on profitable access by driving optimal access / contracting via strategic account segmentation

2. Improve Managed Care Pull-through

Enhance uptake in regions with high managed care coverage but are under-indexed

3. New Patient Starts

Drive new patient starts by focusing on IR oxycodone conversions

4. ADP in Prescribing

Elevate the importance of abuse deterrence as a key driver for ERO prescribing

OxyContin Strategic Pillars and Objectives

1. Drive Profitable Access

- a) Rebate based on data-driven, profitable levels
- b) Streamline contracting processes
- c) Customize value propositions based on segment needs
- d) Identify and engage key healthcare stakeholders & influencers

2. Improve Managed Care Pull-through

- a) Enhance pullthrough efforts via close team collaboration of field sales and account management teams
- b) Target pull-through
 "identify / prioritize"
 efforts in territories
 that are under indexed vs. national
 average in spite of
 favorable managed
 care coverage

3. New Patient Starts

- a) Target molecule to molecule switch from IR oxycodone to OxyContin
- b) Target HCPs with high NBRx share and a high oxycodone to non-OxyContin switch rate
- c) Educate payers on the benefits of maintaining a patient on same ERO molecule to minimize access barriers

4. ADP in Prescribing

- a) Leverage Tier 4
 labeling in appropriate promotions
- b) Highlight the financial impact of OxyContin reformulation to payers
- c) Equip sales force to effectively communicate OxyContin Abuse Deterrence clinical information
- d) Increase promotional efforts on OxyContin Abuse Deterrence Studies to raise awareness

Drive Profitable Access



---- Objective

Description

Deliverable

a)

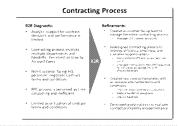
Rebate based on data-driven, profitable levels

 Leverage R2R Profitability and Performance models to negotiate favorable contract terms Redacted

b)

Streamline contracting processes

 Create new effective process for negotiating and finalizing contract from customer request through signature



c)

Customize value propositions based on segment needs

Create segment-specific payer materials



d)

Identify and engage key healthcare stakeholders & influencers

- Develop advocacy approach with payers and influencers
- Identify key stakeholder across customer types (e.g., plans, PBMs, Med D, Medicaid, Pharmacy, providers, IDNs)



Improve Managed Care Pull-through



Objective

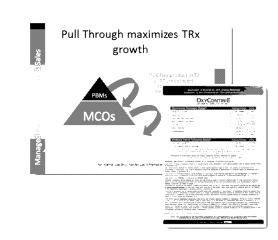
Description

Deliverable

a)

Enhance pullthrough efforts via close team collaboration of field sales and account management teams

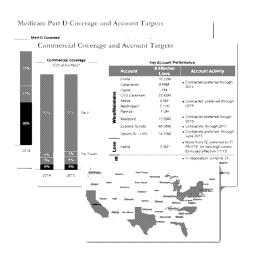
- Ensure close coordination between sales and account management activities
- Develop integrated account plans with cross-functional input
- Leverage materials and tools to support pull through activities



b)

Target pull-through "identify / prioritize" efforts in territories that are underindexed vs. national average in spite of favorable managed care coverage

- Segment and prioritize territories with strong managed care coverage but lower volume
- Leverage existing materials and develop key messages to ensure heightened awareness of OxyContin coverage



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New Patient Starts



Objective

Description

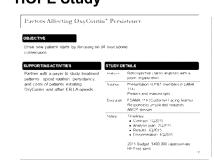
Deliverable

a)

Target molecule to molecule switch from IR oxycodone to OxyContin

- Develop data (HOPE study) to support messaging on molecule-to-molecule benefit
- Promote molecule-to-molecule benefit as a portfolio message through reps and PTN module

HOPE Study

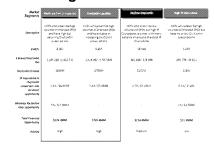


b)

Target HCPs with high NBRx share and a high oxycodone to non OxyContin switch rate

- Segment and prioritize HCPs based on market opportunity
- Message on molecule-to-molecule benefits, OxyContin access, and ADP to overcome brand barriers

HCP Segmentation



- c) Educate payers on the benefits of maintaining a patient on same ERO molecule to minimize access barriers
- Partner with a payer to study treatment patterns, opioid rotation, persistency, and costs of patients initiating OxyContin and other ER/LA opioids

Study Details

Analysis	Retrospective claims analyses with a payer organization
Solution	Presentation to P&T members (FDAMA 114) Posters and manuscripts
Execution	FDAMA 114 (Customer Facing Teams) Response to unsolicited requests AMCP dossier
Notes	Timelines: Contract: 1Q2015

- · Analysis plan: 2Q2015
- Results: 3Q2015
- Dissemination: 4Q2015

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Abuse Deterrence in Prescribing



Objective

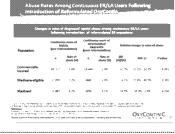
Description

Deliverable

- Leverage Tier 4 labeling in appropriate promotions
- Promote Tier 4 labeling as a key differentiator to prescribers, payers and policy makers



- b) Highlight the financial impact of OxyContin reformulation to payers
- Develop data and materials to support proactive and reactive conversations with payers regarding the financial impact of abuse deterrence



Equip sales force to effectively communicate OxyContin Abuse Deterrence clinical information

Abuse Deterrence

Studies to raise

awareness

- Create messages for the field that specifically respond to customer concerns
- Empower MSLs with additional materials for various interactions
- Train sales force on communicating all aspects of abuse deterrence studies
- Increase Generate supporting data and related d) promotional efforts promotional materials on abuse deterrence on OxyContin
 - Drive awareness of OxyContin Abuse Deterrence Studies / Reformulation



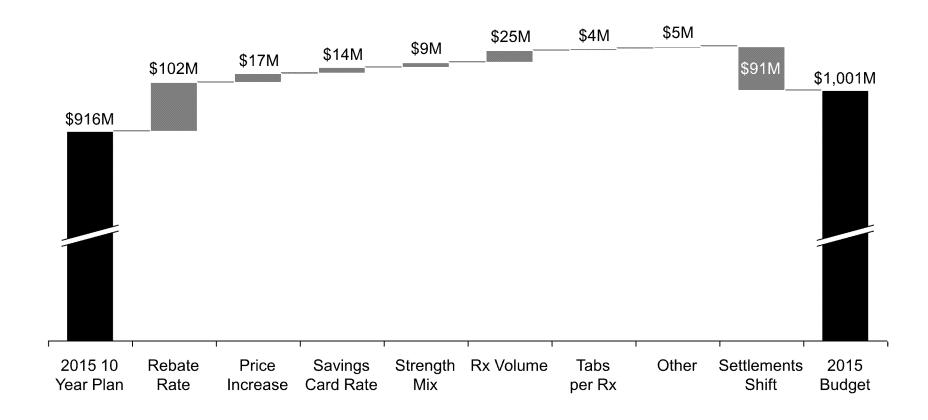
Value Proposition	Stabut Fridayes	charmed	Largest state
Addiction and allocal conference or comparable in patients disposed GregContine than wither US openeds	Commercials, insured and Section Commission and atten- and abuse diagnoses	Conference abot actival aboth about (800) the misself	 Boyestering or 201 Boyestering or 201
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OxyContin Net sales Budget is up vs. 10 Year Plan by \$85M Largely driven by lower rebates, but offset by higher settlements

(\$ Millions)	2013 Actual	2014 Budget	2014 LE	2015 10 Year Plan	2015 Budget	2016 Projection
OxyContin Gross Sales	\$2,526	\$1,977	\$2,282	\$1,675	\$1,620	\$1,600
Total ERO Rxs	26.0	24.9	25.8	24.9	25.4	25.1
OxyContin Rxs ¹	5.7	5.2	5.4	4.7	4.8	4.4
Share	21.7%	20.7%	20.9%	19.0%	19.0%	17.7%
Generic Settlements	\$0	(\$261)	(\$121)	(\$411)	(\$577)	(\$435)
Rebates	(\$585)	(\$561)	(\$618)	(\$669)	(\$543)	(\$611)
Patient Savings Cards, FFS, Discounts	(\$103)	(\$110)	(\$96)	(\$89)	(\$76)	(\$74)
OxyContin Net Sales	\$1,838	\$1,306	\$1,567	\$916	\$1,001	\$915
% Change		-29% vs. 2013	20% vs. 2014B		9% vs. 2015 10 Yr	

2015 Net Sales Budget vs. 2015 102 Pear Plan

Sales are higher due to lower rebate rates and stronger Rx demand, but offset by settlements



Rebate rate is 33.5% vs. 39.9% in the 10 Year Plan.

Price Increase was assumed at 6% 4/15 and is now 6% 1/15.

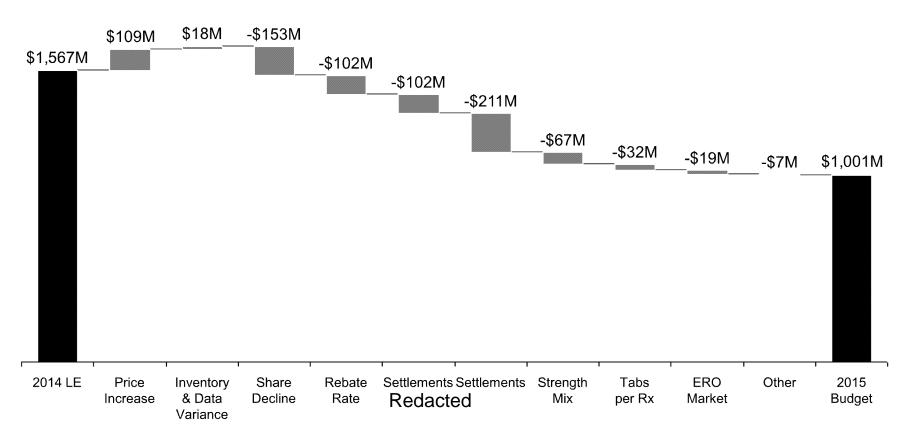
<sup>Savings Cards redemption rate and average redemption value are reduced based on moving from \$25/\$90 to \$30/\$70.
Strength mix shifting towards lower strengths has slowed with 40-80mg share going from 29% in the 10 Year Plan to 33% in the Budget.
Rx volume is 4.8MM vs. 4.7MM</sup>

ERO market is stronger than previously estimated 25.4MM vs. 24.9MM Rx's
 Share of 19.0% includes reductions due to Hysingla ER & LA HYD (includes Hysingla ER and other long acting hydrocodone products) (\$56MM), but offsetting this are Sales & Marketing initiatives (includes call centers, Physicians Interactive, increased spend on PTN, Peer Direct and Contract Sales Force) \$38MM, and declines in share have slowed.

Other includes slower than forecasted decline in institutional volume, but offset by inventory declines.
 Settlements include Redacted and are shown as increase over previously estimated settlements. Total value is \$577MM gross.

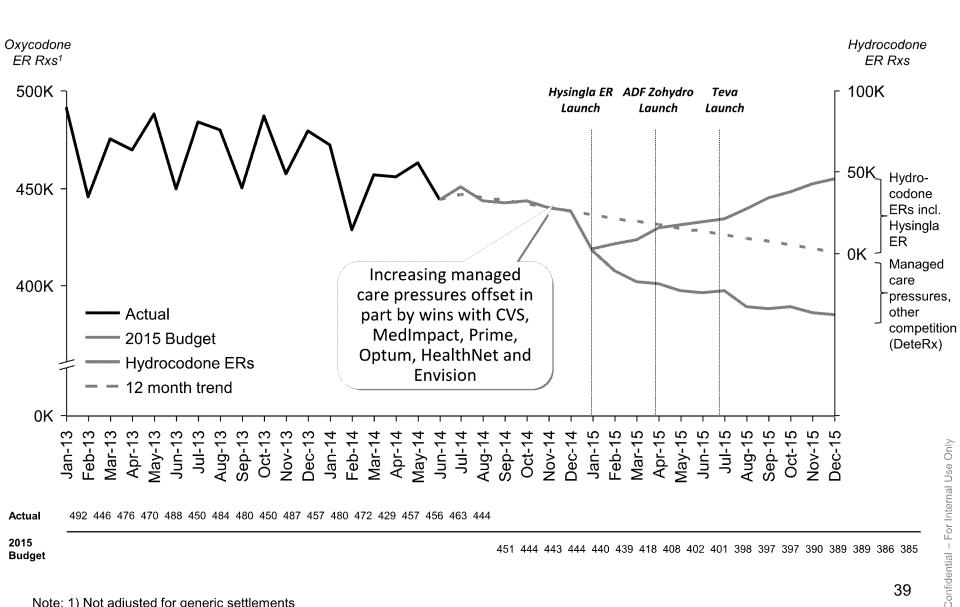
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2015 Net Sales Budget is \$566M lower than 2014 LE largely driven by settlements, share decline and higher rebate rates



- Price increase 6%.
- Share decrease from 20.9% to 19.0%. Major drivers of share include Hysingla ER and other long acting hydrocodone products (\$64M), managed care losses and restrictions with Aetna Commercial, UHC Commercial, Cigna Med-D and potential additional restrictions (\$61M), DeterRx (\$6M) and continued decreasing demand. Offsetting these slightly are Sales & Marketing initiatives (Physicians Interactive, Peer Direct, call centers and PTN) \$30M, CSO \$17M
- Rebate rate increases to 33.5% from 27.1%
- Settlements include Redacted and are shown as increase over 2014 settlements. Total gross value in 2015 is \$577M.
- Strength mix continues to shift towards lower strengths with 40-80mg share decreasing from 36% in 2014 to 33% in 2015.
- Tabs per Rx decline from 63.6 to 61.6.
- ERO market declines from 25.8MM to 25.4MM Rx's.

Oxycodone ER Monthly Rxs 54 roto 249 IVE ORDER



Note: 1) Not adjusted for generic settlements

Gross to Net

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Rebates as a percent of gross sales are expected to increase

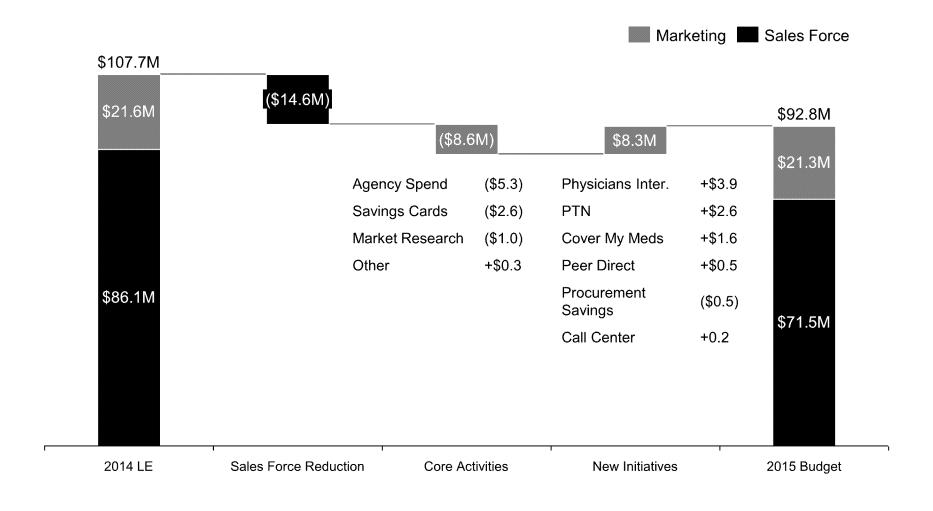
(\$ Millions)	2013 Actual	2014 Budget	2014 LE	2015 10 Yr Plan	2015 Budget	2016 Projected
Gross Sales	\$2,525.6	\$1,977.3	\$2,281.5	\$1,675.3	\$1,620.4	\$1,600.1
Fee for Service	(50.6)	(40.0)	(46.3)	(33.9)	(33.3)	(32.8)
Discounts & Other Allow.	(17.8)	(35.8)	(20.2)1	(20.1)	(22.5)	(22.2)
Patient Savings Cards	(34.7)	(34.3)	(30.0)2	(36.8)	(21.1)	(20.0)
Rebates on Branded Sales	(584.8)	(561.2)	(618.4) ³	(668.8)	(542.7)	(610.6)
Net Sales	\$1,837.6	\$1,306.0	\$1,566.6	\$915.8	\$1,000.9	\$914.7
Rebates as a % Gross Sales	23.2%	28.4%	27.1%	39.9%4	33.5%	38.2%

^{(1) 2014} Latest Estimate reflects expectations that the returns rate is driven down from budget rate of 1.3% to 0.87% for 2013 and prior (\$18 million) and 1.3% to 0.83% for 2014 (\$6 million). 2014 and on includes royalty income, plus the net value of transfer price income received above the cost of manufacturing and shipping the AG product to our counterparties (Actavis, Ranbaxy, Par, Sandoz, Impax, Teva and future litigants).

^{(2) 2014} LE reflects a change in program from \$25/\$90 to \$30/\$70 resulting in decrease of \$6.5 million, offset by demand increase driving an increase of \$2.1 million. (3) 2014 LE reflects a reduction in Medicaid rebates based on change in estimate for outstanding California managed Medicaid invoices dating back to 2010. Based on information provided by California with their Q2 2014 rebate submission that noted "nearly all managed care plans have completed submission of their retroactive pharmacy claims", we have reduced our estimated liability by \$29 million in 2014. 2014 blended rebate rates are approximately in line with budget.

⁽⁴⁾ Higher 10 year plan rebate assumptions were developed by channel and at the time of of Optum, United Healthcare and Caremark negotiations in early 2015 versus plan-by-plan build reflected in 2015 Budget Proposal.

OxyContin 2014 LE vs 2015 Budget Marketing Spend



2015 Additional Opportunities and Risks

Opportunities	Probability	Upside Potential (Net)	Risks	Probability	Downside Potential (Net)
Tier 4 ADF Approval	•	<\$5M	State and federal restrictions on opioid prescribing (e.g., Washington State)		TBD
ADF legislation (e.g., MA, OH, FL)		<\$5M	Greater impact of oxycodone DeterRx		\$6M ¹
LTC Strategy		<\$5M	Change in resources		
IDN Strategy \$6M		and/or higher than anticipated cannibalization from Hysingla ER		\$6-13M ¹	

Note: 1) In addition to forecast

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High

2015 Budget OxyContin P&L

	201	3 Actual	201	4 Budget	14 Latest stimate	5 Budget roposal	Variance '15 v '14	E	2016 stimate	Variance '16 v '15
(\$MM's) Gross Sales (1)	\$	2,525.6	\$	1,977.3	\$ 2,281.5	\$ 1,620.4		\$	1,600.1	
Net Sales		1,837.6		1,306.0	1,566.6	1,000.9	-36%		914.7	-9%
Rebates as % of Gross Sales (2)		23%		28%	27%	33%			38%	
COGS/Shipping & Warehousing (3)		(67.2)		(46.3)	(58.5)	(33.6)				
Royalty Expense/Amort. of Milestone Pymts.		(107.3)		(78.5)	(92.5)	(47.7)				
Gross Profit		1,663.0		1,181.1	1,415.6	919.6	-35%			
Marketing Expense		(18.8)		(24.4)	(21.6)	(21.3)				
Sales Force Expense (4)		(65.3)		(84.4)	(86.1)	(71.5)				
Product Spending		(84.1)		(108.8)	(107.7)	(92.8)	-14%			
Product Spending as % of Net Sales		5%		8%	7%	9%				
G & A Allocation		(76.1)		(64.5)	 (65.5)	(66.6)				
		Redacted]			
R&D Market Support (6)		(45.8)		(41.9)	(43.4)	(25.3)				
Insurance Income/Settlement Expense		(40.6)		0.9	0.2	0.5				
Health Care Reform Fee (7)		(28.7)		(27.9)	(32.0)	(13.2)				
Healthcare Reform Fee Change in Accounting		-		-	(27.3)	-				
Other Expenses		(233.8)		(149.1)	(194.8)	(131.1)				
Product Contribution	\$	1,345.1	\$	923.3	\$ 1,113.1	\$ 695.7	-37%			
Product Contribution %		73%		71%	71%	70%				

- (1) 2015 Budget includes price increase of 6.0% on January 6, 2015 and gross sales impact of generic settlement agreements (\$577 mm).
- (2) The increase in the blended rebate rate is from 27% to 33% is primarily due to higher rebate rebate rates in the commercial and Medicare Part D channels to maintain formulary coverage.
- (3) COGS reflects unit standard cost, inventory adjustments and other (eg. annual stability)
- (4) Sales Force includes allocation of Sales Force, Sales Operations, Sales Training, and 50 rep contract sales force. Total costs are allocated to OxyContin assuming 45% of PDEs.

Redacted

- (6) Consists of allocated costs of classwide REMs, RADARs, Health Policy and adverse events/product complaints processing of \$18.8 mm, FDA User fees of \$1.9 mm and other of \$4.6 mm.
 - (7) Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to OxyContin based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2014 the change in accounting to catch up to accruing on current year sales is \$27.3 mm.

BUTRANS

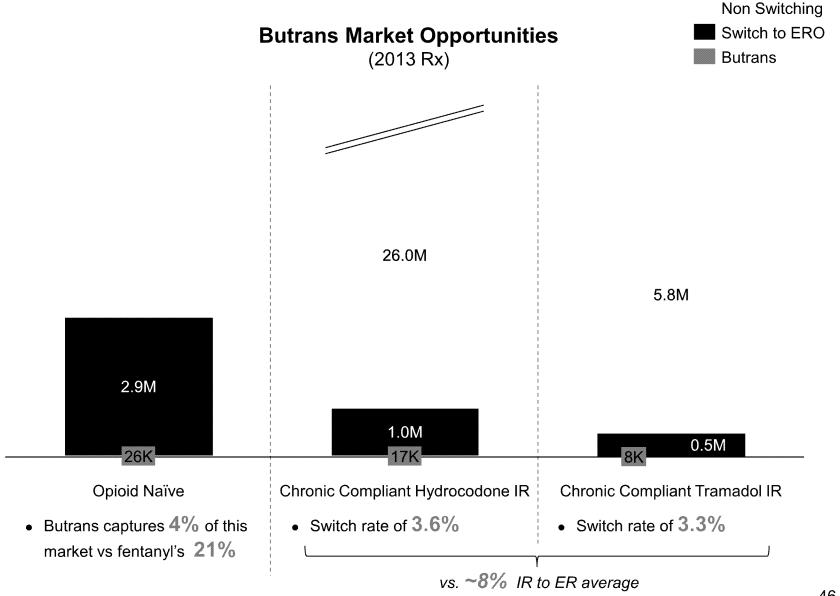
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2015 Brand Strategy and Forecast

- Butrans is **demonstrating significant growth** (YTD TRx is 22% higher vs. 2013 YTD and 8.0% higher vs. Budget)
- Focus in 2015 is to continue to drive growth using three strategic pillars to drive share within prioritized HCP segments:
 - Drive IRO to Butrans conversions and use with opioid-naïve patients
 - Optimize profitable access and pull through
 - Improve fill rates and patient persistence
- 2015 Budget projects gross sales of \$243M (26.5% growth vs. 2014LE) and net sales of \$140M (up \$18.6M or 15% vs. 2014LE)
- 2015 Budget up **\$17.1M vs. 10 year plan** largely driven by share growth (+\$15M), but offset by higher rebate rates (-\$9M)
- 2015 **S&P budget of \$58.4M** (-28% vs 2014 LE)
 - Marketing \$17.1M (+4% vs 2014 LE)
 - Sales Force \$41.3 (-37% vs 2014 LE)

Butrans Growth Opportunities Summary



Brand Vision and Goals



Vision: To be the preferred ERO for moderate chronic pain*



2015 Objectives:

- Gross Sales: \$243M
- Net Sales: \$140M
- **724K Rxs**

Strategic Pillars

Market Expansion

Profitable Access

Improved Adherence

Drive HCP switches of Tramadol and Low-dose Hydrocodone IRO to ERO Conversions and Drive more Butrans use with Opioid-Naïve patients

Optimize Profitable Access and Pull Through

Improve Fill Rates and Patient Persistence

Market Expansion

- a) Educate market on buprenorphine molecule and Butrans
- b) Educate on schedule 3 status

Profitable Access

- a) Optimize profitability of contracting
- b) Clarify value proposition to payers
- c) Improve collaborative pull-through with sales and managed markets

Improved Adherence

- a) Educate patients on appropriate product use to reduce reversal rates
- b) Engage patients in **Butrans Experience** Program
- c) Educate HCPs on appropriate titration

Market Expansion



--- Objective

Description

Deliverable

a)

Educate market on buprenorphine molecule and Butrans

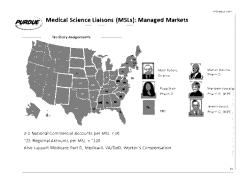
- Align publication campaign and messaging to four key themes:
 - Dosing and Titration
 - Post-marketing Experience
 - Product Differentiation
 - Patient Selection



b)

Educate on schedule 3 status

- Leverage MSL team and MSL materials to educate market on schedule 3 status
- Capitalize on disruptive market events from hydrocodone IR rescheduling



Profitable Access



Objective

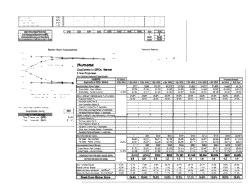
Description

Deliverable

a)

Optimize profitability of contracting

Leverage R2R Profitability and Performance models to negotiate favorable contract terms



b)

Clarify value proposition to payers

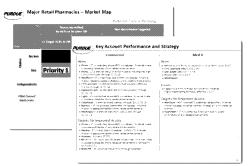
- Value Propositions | Define and test value proposition statements with payers
- Topline Decks | Align internal positioning to be in line with product portfolio using relevant customer-facing evidence



c)

Improve collaborative pullthrough with sales and managed markets

- Segment pharmacies and distribution networks to improve pull-through/stocking
- Target pull-through for contracted business



50

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Objective

Description

Deliverable

a)

Educate patients on appropriate product use to reduce reversal rates Educate patients through pharmacy programs (Adheris, McKesson, etc.)





MSKESSON

Empowering Healthcare

b)

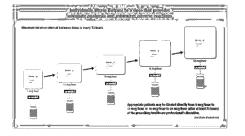
Engage patients in Butrans Experience Program Continue to improve direct feedback on Butrans use



c)

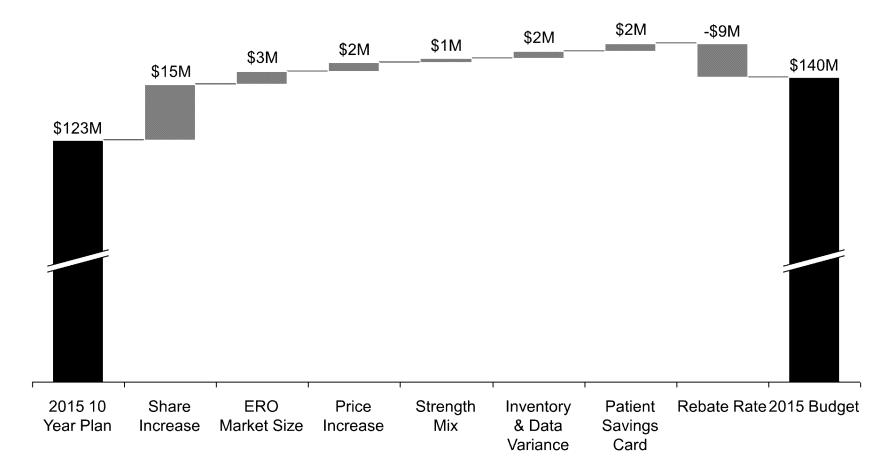
Educate HCPs on appropriate titration

 Use titration guide to educate physicians and nurses to properly titrate up to effective dose



Butrans net sales Budget is up vs. 10 Year Plan by \$17.1M Largely driven by higher share, but offset by higher rebate rates

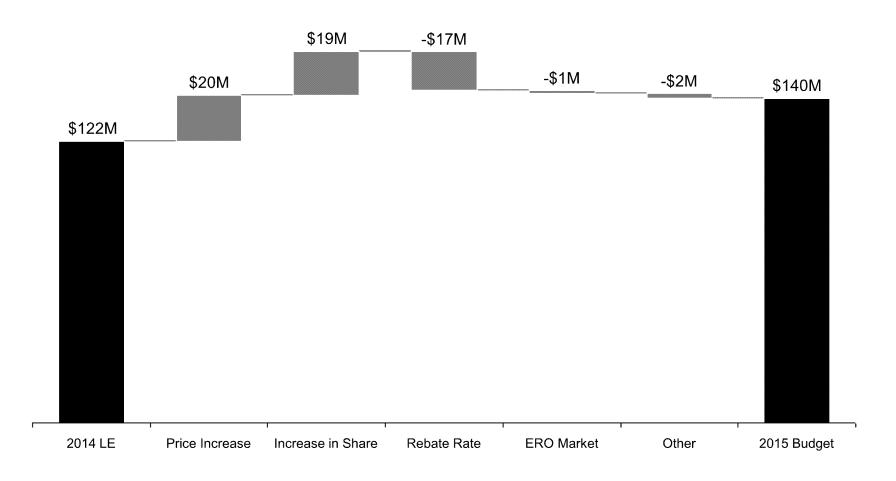
	2013 Actual	2014 Budget	2014 LE	2015 10 Year Plan	2015 Budget	2016 Projection
Butrans Gross Sales	\$147M	\$189 M	\$192 M	\$204M	\$243M	\$264M
Total ERO Rxs	26.0M	24.9M	25.8M	24.9M	25.4M	25.1M
Butrans Rxs	529K	587K	651K	639K	724K	740K
Share	2.0%	2.4%	2.5%	2.6%	2.8%	2.9%
Rebates	(\$19)	(\$36)	(\$48)	(\$58)	(\$79)	(\$88)
Patient Savings Cards, FFS, Discounts	(\$18)	(\$28)	(\$22)	(\$22)	(\$24)	(\$19)
Butrans Net Sales ¹	\$111	\$125	\$122	\$123	\$140	\$156
% Change		13% vs. 2013	-2% vs. 2014B	1% vs. 2014LE	15% vs. 2015 10 Yr	



- Share increase from 2.6% to 2.8%. Included in share increase are Sales & Mktg initiatives \$10M, Managed Care & pull through \$4M, continued share increase and offsetting these is Hysingla ER & long acting hydrocodone (\$9M),
- ERO market is stronger than previously estimated 25.4M vs. 24.9M Rx's.
- Price increase was assumed at 6% 4/15, but is now 6% 1/15.
- Rebate rate increased from 28.6% to 32.5.%.
- Patient savings card expense is lower due to improved formulary coverage

2015 Net Sales are up \$18.6M vs. 2014 LE

Largely driven by price increase and share growth, partially offset by higher rebates



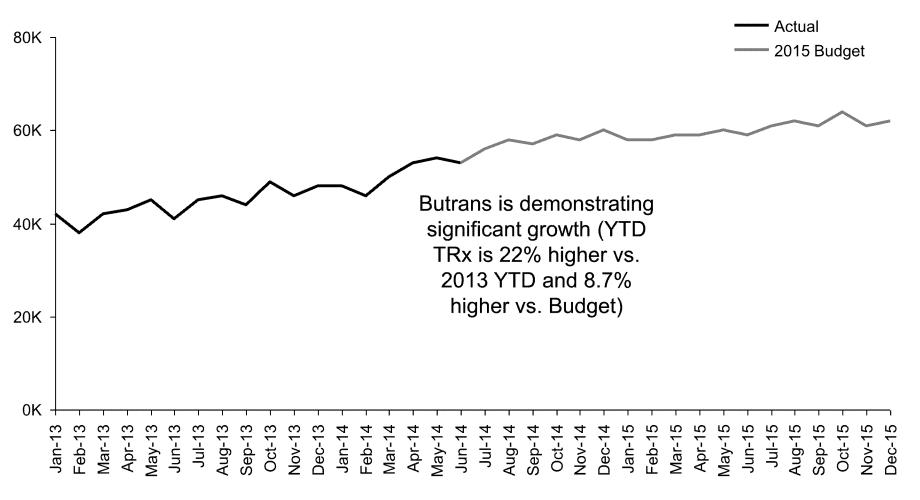
- Price increase 6%.
- Share increase from 2.5% to 2.8%. Major drivers of share include managed care wins & pull through \$4M and sales & marketing initiatives \$7M. Offsetting these increases is impact of Hysingla ER and other long acting hydrocodone products (\$9M).
- Rebate rate increases from 24.9% to 32.5%.
- ERO market declines from 25.8M to 25.4M Rx's.

54

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Butrans Monthly Rx's

TREAT SUBJEOT 70 FONO 249 TIVE ORDER



Gross to Net

TREAT SUBJEOT 71 FONO 249 TIVE ORDER

Rebates as a percent of gross sales are expected to increase

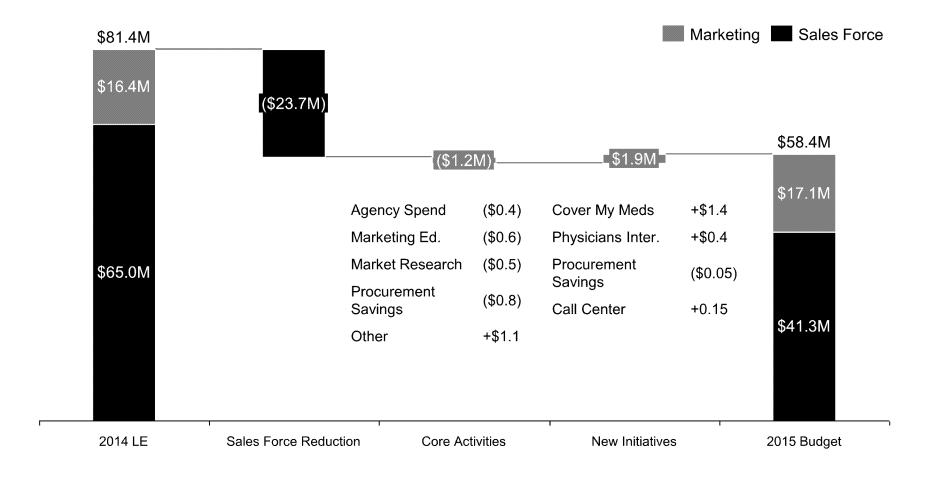
(\$ Millions)	2013 Actual	2014 Budget	2014 LE	2015 10 Yr Plan	2015 Budget	2016 Projected
Gross Sales	\$147.4	\$188.8	\$192.5	\$204.0	\$242.8	\$264.1
Fee for Service	(3.1)	(3.8)	(3.8)	(4.2)	(5.0)	(5.4)
Discounts & Other Allow.	(13.0)	(4.1) ¹	9.91	(6.9)	(7.6)	(3.0)
Patient Savings Cards ³	(8.8)	(9.8)	(10.4)	(11.2)	(10.9)	(11.2)
Rebates on Branded Sales	(18.9)	(35.7)	(47.9)	(58.2)	(78.8)	(88.2)
Impact of Prior Year Adj. on Return Rates	7.5 ¹	(10.5) ¹	(18.4) ¹	0.0	0.0	0.0
Net Sales	\$111.2	\$124.8	\$121.9	\$123.4	\$140.4	\$156.2
Rebates as a % Gross Sales	12.8%	18.9%	24.9%³	28.6%	32.5%2	33.4%

⁽¹⁾ The 2014 LE reflects our latest expectations that the returns rate has been driven down from budget rate of 8% or higher for 2013 and prior (\$18 or \$8 million favorable to budget) and 8% to 5.25% for 2014 (\$5 million favorable to budget)

⁽²⁾ Variances driven by improved formulary coverage and reflect a plan-by-plan build in 2015 Budget Proposal as compared to the 10 Year Plan which is developed at a higher level with channel assumptions only

⁽³⁾ The higher blended rebate rate in the 2014 LE versus Budget is largely due to improved formulary coverage than assumed in the budget as a result of Caremark and Optum wins

Butrans 2014 LE vs 2015 Budget Marketing Spend



Note: Other includes: Journal Advertising (+\$270K), Adherence Program (+\$395K), Marketing Initiatives (\$700K), Conventions (-\$292K), Special 57 Promotions (+\$345K), and other (+\$330K)

2015 Additional Opportunities and Risks

Opportunities	Probability	Upside Potential (Net)	Risks	Probability	Downside Potential (Net)
Hydrocodone combinations rescheduled to CII		\$3-5M	Impact of Hysingla ER (resource shift, higher than anticipated cannibalization)		\$3-5M
Expand promotion to Long Term Care		\$3M	Increasing rebate pressure from payers		\$2.5M
Direct to Patient marketing		\$<5M	Approval of BEMA		\$<1M (included in forecast)

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High

2015 Budget Butrans P&L

	2013	3 Actual	2014	Budget	L	2014 .atest stimate	В	2015 udget oposal	Variance '15 v '14		2016 timate	Variance '16 v '15
(\$MM's)												
Gross Sales ⁽¹⁾	\$	147.4	\$	188.8	\$	192.5	\$	242.8		\$	264.1	
Net Sales (2)		111.2		124.8		121.9		140.5	15%		156.2	11%
Rebates as % of Gross Sales (3)		12.8%		18.9%		24.9%		32.5%			33.4%	
COGS/Shipping & Warehousing (4)		(4.7)		(7.2)		(7.8)		(9.8)				
Royalty Expense/Amort. of Milestone Pymts. (5)		(6.4)		(7.7)		(8.0)		(7.9)				
Gross Profit		100.1		109.9		106.1		122.8	16%			
Marketing Expense		(19.3)		(17.3)		(16.4)		(17.1)				
Sales Force Expense ⁽⁶⁾		(77.7)		(62.3)		(65.0)		(41.3)				
Product Spending		(97.0)		(79.6)		(81.4)		(58.4)	-28%			
Product Spending as a % of Net Sales		87.2%		63.8%		66.8%		41.5%				
, G.&.A. Allocation at 6% of net sales		(6.2)		(8.1)		(8.4)		(8.4)		:		
	Reda	cted										
R&D Market Support (8)		(17.8)		(15.9)		(13.4)		(12.6)		•		
Health Care Reform Fee ⁽⁹⁾		(0.7)		(0.4)		(8.0)		(2.5)				
Healthcare Reform Fee Accounting Restatement (9)		-		-		(2.3)		-				
Other Expenses		(26.9)		(25.4)		(25.9)		(30.2)				
Product Contribution	\$	(23.8)	\$	4.9	\$	(1.2)	\$	34.2	2938%			
Product Contribution %		-21.5%		3.9%		-1.0%		24.3%				

- (1) 2015 Budget includes price increase of 6% on January 6, 2015.
- (2) Adjusted to move return rate true ups to prior period to show the underlying economics by year and remove "accounting" true ups.
- (3) The increase in the blended rebate rate from 24.9% to 32.5% is primarily due to improved formulary coverage.
- (4) COGS reflects unit standard cost, inventory adjustments and other (eg. annual stability). 2015 Budget includes \$1 mm for inventory write-off for 2nd source API at Noramco.
- (5) Payment to LTS at 5.5% of net sales and \$200k to Perrigo.
- (6) Sales Force includes allocation of Sales Force, Sales Operations, Sales Training, and 50 rep contract sales force. Total costs are allocated to Butrans assuming 26% of PDEs.

Redacted

- (8) 2015 Budget is comprised of allocated costs of classwide REMs, RADARs, Health Policy and adverse events/product complaints processing of \$4.5 million, FDA User fees of \$1.0 million and costs of pediatric study of \$7.1 million.
- (9) Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to Butrans based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2014 the change in accounting to catch up to accruing on current year sales is \$2.3 mm. Sales to government increase in 2014 as a result of Medicare Part D and Medicaid formulary wins.

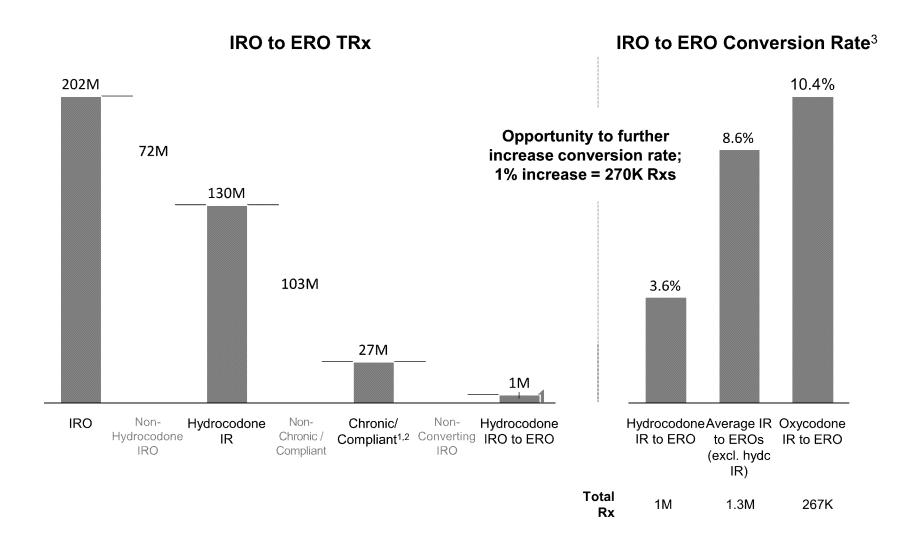
HYSINGLA ER

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- Hysingla ER will be the first-to-market hydrocodone ER with abuse deterrent properties; the launch strategy will capitalize on the significant opportunity represented by the broad base of hydrocodone IR patients eligible for an ERO while addressing payer / competitive pressures
- Hysingla ER forecasted to generate gross sales of \$77M and net sales of \$55M in 2015 (\$192M gross and \$132M net in 2016)
 - 2015 forecast in line with Butrans first year Rx and sales performance
 - 2015 financial investment request of \$82M (\$37M marketing, \$45M sales) to support launch strategy
- Three key strategies will drive the successful launch of Hysingla ER:
 - Accelerate Uptake
 - Drive Profitable Access
 - Leverage Purdue Resources
- Current focus is on execution led by the **Hysingla ER Launch Management Office (LMO)**
 - Launch plans integrated across functions and aligned to key priorities / milestones
 - Cross-functional Launch Readiness Teams (LRTs) formed to execute against priorities
 - Hysingla ER LMO manages overall launch governance, tracks progress, and mitigates risks
 - Launch program making strong progress; on track for successful launch

TREAT SUBJECT 77 PONO 249 TIVE ORDER

Hysingla ER Market Opportunity



Notes: 1) Chronic, compliant based on 90+ days on therapy and >80% compliance by fulfillment; 2) Chronic definition allows for a 15-day fulfillment gap; 3) Of Rxs to chronic and compliant patients, 2013 full year data Sources: Butrans Market by Specialty, 2013; ERO TRx, 2014

Brand Vision and Goals TREAT SUBJECT 78 FOR DEAD PLANT OF DEER



Vision: Be the leading hydrocodone ER—complementing a portfolio of pain medications for all chronic pain patients



2015 Objectives

- \$77M Gross Sales
- \$55M Net Sales
- 197K Rxs

Strategic Pillars

1. Accelerate Uptake

Establish
Hysingla ER as Brand of
Choice and Drive Market
Expansion by Increasing
Hydrocodone IR to ER
Conversion

2. Drive Profitable Access

Align Access Strategy and Targeting to Maximize Profitable Growth

3. Leverage Purdue Resources

Optimize Purdue Pain Assets to Accelerate Hysingla ER Uptake

Hysingla ER Strategic Pillars and Objectives

1. Accelerate Uptake

- a) Disproportionately invest resources in target segments to establish Hysingla ER as the brand of choice for hydrocodone IR-exposed patients
- b) Drive differentiation of Q24 dosing and ADP through medical education and publications
- c) Create optimal patient and HCP experience

2. Drive Profitable Access

- a) Drive initial demand and favorable formulary coverage through payer segmentation, segmentbased contracting strategies and segmentspecific value propositions
- b) Leverage MSL knowledgebase / relationships to support brand / payer strategies
- c) Ensure access through copay support, access coordination and seamless fulfillment

3. Leverage Purdue Resources

- a) Leverage Purdue's existing, experienced sales force to drive uptake with target HCPs
- b) Leverage real-world data to address payer and policymaker concerns
- c) Pursue favorable public policy and regulatory status for Hysingla ER

Accelerate Uptake



Objective

Description

Deliverable

- a) Disproportionately invest resources in target segments to establish Hysingla ER as the brand of choice for hydrocodone IR-exposed patients
- Target two key segments: 'Proactives' and 'Delayers'
- Prioritize Hysingla ER promotion at launch
- Dave Market Share with Hysingla LiR Proactives

 ***Transfer Committee Commit

b)

Drive differentiation of Q24 dosing and ADP through medical education and publications

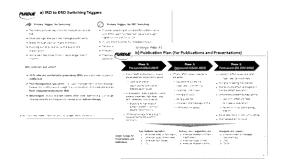
- Engage ~11,000 HCPs (70% of target HCPs) at various venues
- Implement speaker programs and advisory board meetings post launch
- Increase OADP awareness and relevance in Rx choice



c)

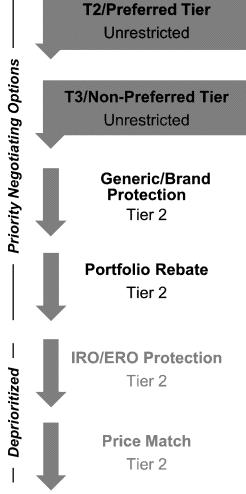
Create optimal patient and HCP experience

- Implement Patient Experience Program
- Educate HCPs around proper titration



Contracting Options to Achieve Exclusivity and Gain **Profitable Access**





- Unrestricted or Step Edit through hydrocodone IR
- Net Price Parity to OxyContin
- Unrestricted or Step Edit through hydrocodone IR
- Lower rebate relative to OxyContin
- T2 Unrestricted
- Incremental rebate based on Generic vs. Brand Ratio

With additional rebates available for expedited review or exclusivity

- T2 Unrestricted with Portfolio Rebate
 - Exclusive 1-of-2, 2-year contract
 - Med D plans only
 - T2 Unrestricted; incremental rebate based on IRO vs. ERO conversion rate
 - Used in 2016 and later to defend Hysingla ER's position in exclusive contracts
 - Guaranteed net price parity (+/-10%) to Teva

Note: Based on initial analysis, the Portfolio Rebate, Price Match, and IRO / ERO Conversion Rate Protection options pose the most risk to Purdue: 1) The Portfolio Rebate option could be appealing to larger accounts but should be used very selectively because of the associated risks; 2) The Price Match option is difficult to assess but poses a major risk given that Purdue will have no control over / knowledge of Teva's pricing or rebating; 3) The IRO / ERO Conversion Rate Protection option will be difficult to execute because it is difficult to measure, there is no good analog and the impact of the rescheduling of hydrocodone IR is still unknown

66

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Leverage Purdue Resources



Objective

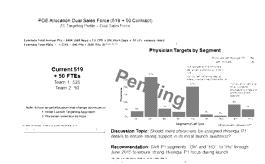
Description

Deliverable

a)

Leverage Purdue's existing, experienced sales force to drive uptake with target HCPs

- Leverage existing sales force and prioritize Hysingla ER at launch
- Add additional contract sales force capacity at launch to drive uptake



b)

Leverage real-world data to address payer and policy-maker concerns

- Leverage post-marketing studies to support payer strategy
 - Real world / epidemiology data
 - Risk management data
 - HOPE studies

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c)

Pursue favorable public policy and regulatory status for Hysingla ER

- Leverage corporate affairs resources to support policy agenda
- Continue to build awareness and public policy support for ADP in opioids

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Pre-Launch Planning to Support Hysingla ER Strategy

Accelerate Uptake

Drive Profitable Access

Leverage **Purdue Resources**

Seamless execution

I. Prepare The Market

Create awareness and relevance of key market drivers to our key customers

Create favorable market access environment for reimbursement

II. Prepare The Product

Prepare to produce and distribute the product, including the final label and supply activities

III. Prepare The Organization

Drive operational readiness involving sales force readiness, standing up the necessary infrastructure (tech & logistics), and enabling supporting **functions**

Execute Effectively

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Pre-Launch Activities: Represented Functions and Activities

Activity

Represented Functions

Key Supporting Activities

I. Prepare
The Market

Managed Markets,
Marketing, PR & Corp
Communications, HOPE,
OADP, MSLs, etc.

- Prepare Managed Markets
- Implement Internal / External Comms.
- Accelerate Selected HOPE Studies
- Go to Market with Unbranded Campaigns
- Attend Conferences, Submit Abstracts
- Launch Print and Digital Assets

II. Prepare
The Product

Regulatory, Supply, Packaging, Creative Services, etc.

- Complete FDA Negotiations
- Develop Final FPI
- Create Packaging & Labeling
- Prepare and Ship Supply

III. Prepare The Org.

Sales Ops, IT, Medical Information, Operations, Customer Service, Finance, HR, etc.

- Rollout Sales Training Modules
- Create Final HCP Target List
- Finalize New Incentive Comp
- Complete IT Development
- Prepare Medical Info

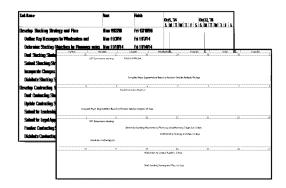
Hysingla ER Launch Management Office

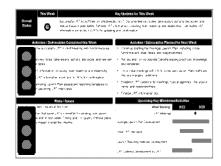
Execute Effectively

Our Hysingla ER Launch Management Office manages the overall launch governance, including working with the Launch Readiness Teams to report status, monitor interdependencies, and identify / resolve issues

Key Responsibilities of the Launch Management Office:

- Ensure cross-functional coordination and communication
- Launch plan tracking and monitoring
- Document and escalate key risks / decisions
- Track status of individual activities
- Monitor interdependencies
- Surface key issues / hot topics
- Identify common themes / challenges / bottlenecks
- Liaise with executive leadership on the overall Hysingla ER launch health





TREAT SUBJECT 86 FOR 0249 TIVE ORDER

Key Launch Timelines

		Q4 2014			Q1 20	15
	Oct	Nov	Dec	Jan	Feb	Mar
Milestones	Final Lak	pel	12/10: First Order Accepted	1/5: First Ship Date	Rep full branded promotion begins	
ОРДР	Promo Materials Development	OPDP Re	eview	Post-OPDP Refinement		In use
0	CVA & Journal Ad	11/4 OPDP Sub 45 Day Rev	,	Time to Finalize May Vary		
aged kets	NAE / AE Training 11/3 - 11/5	4000000	Managers begin di retail stocking pro		lesalers and retailers; evel)	
Managed Markets	Contracting Strat, Rebate Strat, Value Prop	MCO & Trade promo begins		Retail	stocking promotion (s	tore level)
	-					

Sales Training / NSM

National Sales Meeting (NSM) Preparation

10/21: Determine 11/11: Complete 50% of Workshop Content to Discuss at RM Quarterly Business Meeting NSM Agenda

12/9: Complete 90% of Workshop Content to Discuss at District Manager Meeting

10/28 FDA Approval 1/26 - 1/28 National Sales Meeting

71

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2015 Additional Opportunities and Risks

Opportunity /	0 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Net Sales Impact			
Risk	Impact	Probability	2015	2016	
Impact of Teva Delay by One Quarter to 4Q15	 Teva delay increases Hysingla ER volume given more time on market as the exclusive Hydrocodone ER with ADP 		\$5M	\$5M	
Impact from Hydrocodone Rescheduling (included in forecast)	 One-time increase in the ERO market More overall hydrocodone ER scripts One-time decline in hydrocodone IR market Based on NY State analog 		\$10M	\$10M	
Delayed Hysingla Launch by One Quarter to 2Q15	Delayed launch reduces volume and period of exclusivity before Teva launch		(-\$20M)	(-\$25M)	

High

72

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2015 Budget Hysingla ER P&L

(\$MM's)		2015	Budget	2016	Forecast	Variance '16 v '15
Gross Sales (1)		\$	77.2	\$	191.9	
Net Sales (2)			55.0		131.8	140%
Rebates as % of Gross Sales			12%		19%	
COGS/Shipping & Warehousing			(2.6)		(7.7)	
Royalty Expense	(3)		(4.4)		(10.6)	
Gross Profit			48.0		113.6	137%
Marketing Expense			(37.0)		(28.9)	
Sales Force Expense	(4)		(44.8)		(47.1)	
Product Spending			(81.8)		(76.0)	-7%
Product Spending as % of Net Sales			149%		58%	
Amortization of milestone payments	(5)		(1.6)		(1.6)	
G & A Allocation			(1.9)		(3.6)	
	Redacte	ed				
R&D Market Support	(7)		(17.4)		(10.8)	
Health Care Reform Fee	(8)		-		(4.3)	
Healthcare Reform Fee Change in Accounting	(8)		(1.1)		-	
Other Expenses			(26.4)		(22.9)	
Product Contribution		\$	(60.2)	\$	14.7	124%
Product Contributions as % of Net Sales			-110%		11%	

⁽¹⁾ Gross sales assumes pricing at \$327 average Rx in 2015.

Redacted

(4) Sales Force includes allocation of Sales Force, Sales Operations, Sales Training, and 50 rep contract sales force. Total costs are allocated to Hysingla assuming 33% of PDEs.

Redacted

Redacted

⁽²⁾ In 2015 it is assumed that 62% of business comes from the commercial channel with Tier 3 at rebates of 10%. The increase in the blended rebate rate from 12% to 19% between 2015 Budget and 2016 Estimate is primarily due to improved formulary coverage.

⁽⁷⁾ Comprised of \$11.8 mm of expense for pediatric studies, \$2.6mm in Health Outcomes studies to support commercial strategy and \$2.5 mm in other fees and allocated expenses (including \$1 mm in Drug Safety and Pharmacovigilance and \$0.8MM in FDA fees)

⁽⁸⁾ Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to Hysingla based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2015 the change in accounting to catch up to accruing on current year sales is \$1.1 mm.

LAXATIVES

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Executive Summary

- 2014 Purdue Laxatives Objectives:
 - November LE \$50.3M gross sales
 - Gross sales through August +2% versus budget
 - \$21.1M in product contribution, +\$300K versus budget
- Competitive Landscape (52 weeks ending 7/13/14)
 - Total retail sales reached \$438M, or -2% versus previous period
 - Colace +1%, Peri-Colace +4%, Senokot-S trends -6%, Senokot -7%
 - Senokot and Senokot-S growth inhibited by high retail shelf price
- Forecast for 2015
 - \$52.1M in gross factory sales (+\$1.7M increase, or +4% above the 2014 LE)
 - Product contribution forecast \$25.6M (+\$4.5M, or +21% above the 2014 LE)
- Requesting \$11.9M to support the 2015 strategy

Brand Vision and Goals TREAT SUBJECT 91 FOR DEAR OF DEEP PART OF DEEP



Vision: Make Colace the #1 stool softener brand in both unit <u>and</u> dollar retail sales, while increasing distribution for Senokot



2015 Objectives

• Gross Sales: \$52.1M

Strategic Pillars

1. Convert Retail Customers

2. Demonstrate Value

3. Convert Information Seekers

Convert customers at the point of purchase with "retail specific" promotions

Demonstrate value while creating an emotional connection to Colace Capsules and Senokot Tablets

Convert "information seekers" to Colace and Senokot via digital engagement

Strategic Pillars and Objectives

1. Convert Retail Customers

- a) Provide rationale for retailers to support Colace, support distribution
- b) Use coupons and rebates to incent customers to:
 - Try Colace versus less expensive competitive brands
 - Purchase Senokot Tablets
- c) Leverage in-store media to educate and influence customer purchase decision during path to purchase (at point of sale)
- d) Implement national FSI coupon to provide tie-in to retail sales activity

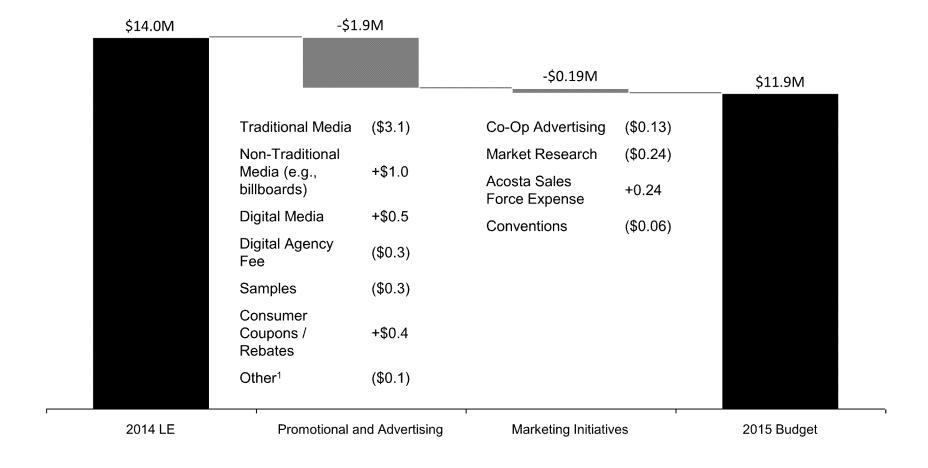
2. Demonstrate Value

- a) Secure native advertising (in-program placements) to leverage trusted programs and media celebrities
- b) Create location-based, point-of-care media to intersect customers with brand messaging benefits while receiving care from HCPs
- c) Create humorous locationbased media to overcome low engagement in category, placing ads in outdoors locations where progress is "backed up" (e.g., traffic delays)

3. Convert Information Seekers

- a) Fund Purdue laxatives search campaign to direct ready-to-buy consumers seeking category information to Purdue brands
- b) Introduce ads on contextually-relevant webpages (e.g., using keyword targeting of "stool softener")
- c) Use retail website banner ads as well as mobile retail advertising to deliver promotional messages
- d) Target online video advertisements at contextually relevant consumers

Laxatives Product Spend: 2015 Budget vs. 2014 LE Revised spend in the 2015 budget is down \$2.1M



78

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2015 Budget Laxatives P&L

(\$MM's)	2013 A	ctual_	014 dget	Latest imate	Bu	015 Idget posal	Variance '15 vs '14	016 imate	Variance '16 vs '15
Gross Sales ⁽¹⁾	\$	50.6	\$ 50.3	\$ 50.3	\$	52.1		\$ 52.4	
Net Sales		49.5	49.2	49.2		50.9	3%	51.2	1%
COGS (2)	(10.1)	(10.7)	(10.7)		(10.8)			
Shipping and Warehousing (2)		(3.0)	(2.6)	(2.6)		(1.9)			
Gross Profit		36.4	35.8	35.9		38.1	6%		
Marketing Expense (3)	(15.1)	(13.6)	(13.5)		(11.2)			
Sales Force Expense (4)		(0.4)	(0.7)	(0.4)		(0.7)			
Product Spending	(15.5)	(14.3)	(14.0)		(11.9)	-15%		
Product Spending as % of Net Sales	3	1.3%	29.0%	28.4%		23.3%			
Other Expenses									
R&D Market Support (5)		(8.0)	(8.0)	 (8.0)		(0.7)			
Product Contribution	\$	20.2	\$ 20.8	\$ 21.1	\$	25.6	21%		
Production Contribution %	4	0.7%	42.2%	42.9%		50.2%			

Notes:

- (1) Laxatives include Senokot, Senokot S, Colace and Peri-Colace Brands. Sales forecast includes a price increase of 3% on select SKU's in 2015.
- (2) COGS reflects units at standard costs, inventory adjustments and other costs (eg. annual commercial stability, validation work).
- (3) Marketing expenses include consumer advertising, co-op advertising, advertising and agency fees, samples, coupons and others.
- (4) Sales force expense includes cost of outside sales agents (Acosta commissions).
- (5) Includes estimated R&D support across Medical Services, Drug Safety, Regulatory and other support functions.

APPENDIX PORTFOLIO

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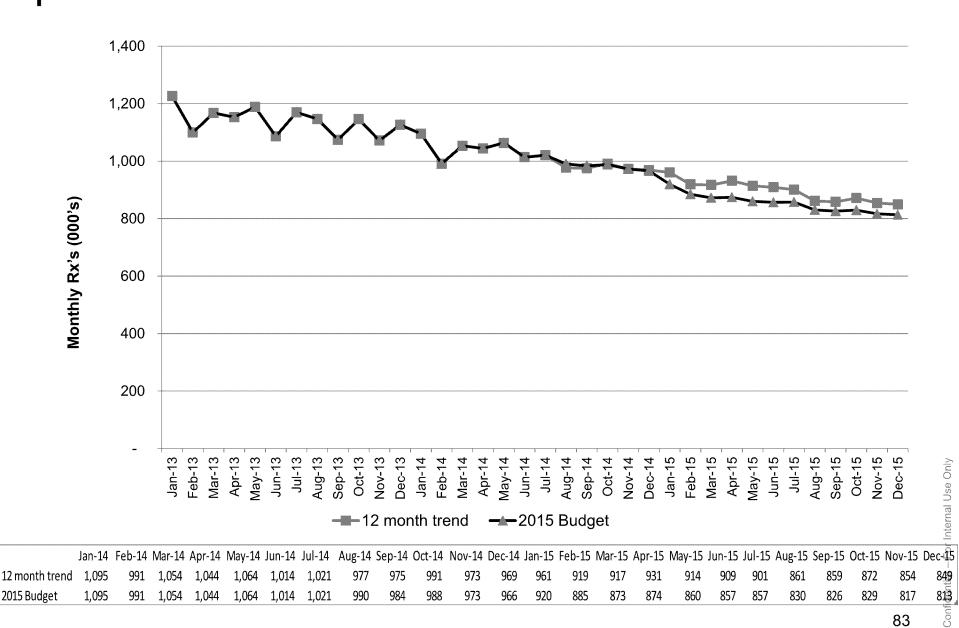
2015 Budget Portfolio P&L

(\$000's)	2012 Actual	2013 Actual	2014 Budget	2014 Latest Estimate	2	015 Budget Proposal		2015 Budget vs. 2014 Latest Estimate
(4000 0)			- Boar , Dwager				1	
Gross Branded Product Sales	\$3,004,905	\$2,774,569	\$2,258,777	\$2,570,884		\$2,031,330		(\$539,554)
Fee for Service	(69,313)	(54,623)	(44,444)	(51,043)		(40,370)	l	10,673
Discounts and Allowances	(134,032)	(27,325)	(45,300)	(11,435)		(53,674)		(42,239)
Patient Savings Card Discounts	(25,104)	(44,874)	(44,134)	(41,225)		(37,441)		3,784
Rebates on Branded Sales	(517,606)	(559,600)	(570,095)	(640,307)	(1c.)	(610,501)		29,806
Proposed regulation adj for Medicaid rebates	(60,383)	(46,046)	(28,477)	(27,998)		(21,937)		6,061
Other	2,455	4,844	8,027	8,232		19,835	(10d.)	11,603
Rebates as % of Gross Branded Product Sales NET REVENUE	19.2% 2,200,922	21.8%	26.5% 1,534,354	26.0% 1,807,108		31.1% 1,287,242	ł	5.1% (519,866)
NET REVENUE	2,200,922	2,046,945	1,534,354	1,807,108		1,287,242	ł	(519,866)
Cost of Goods Sold	(148,475)	(138,119)	(119,183)	(126,240)	(2)	(92,992)	(11)	33,248
COGS as % of Gross Branded Product Sales	4.9%	5.0%	5.3%	4.9%	`~'	4.6%	(11)	-0.3%
Royalty Expense	(120,268)	(112,105)	(83,262)	(97,136)	(3)	(56,715)	(12)	40,421
Shipping and Warehousing	(11,814)	(10,745)	(8,307)	(9,155)	``	(7,962)		1,193
The property of the property o	(==,== ./	(20)/ (2)	1 (-//	(3,233)		(/)===/	l	2,233
GROSS PROFIT	1,920,365	1,785,975	1,323,603	1,574,577		1,129,573	1	(445,004)
G&A (incl. Legal Department but excl. Legal Fees)	(151,635)	(154,433)	(131,579)	(131,304)		(131,130)		174
G&A as % of Net Revenues	6.9%	7.5%	8.6%	7.3%		10.2%	l	2.9%
Legal Fees	(49,143)	(69,396)	(29,325)	(49,600)	(4)	(54,000)	(13)	(4,400)
R&D	(312,513)	(296,493)	(229,946)	(195,020)	(5)	(149,170)		45,850
R&D Other - Milestone and Alliances	(2,284)	(8,518)	(5,181)	(4,999)		(5,610)		(611)
R&D as % of Net Revenues	14.3%	14.9%	15.3%	11.1%		12.0%	l	1.0%
Sales and Promotion	(303,110)	(277,775)	(256,630)	(257,939)		(283,158)	(15)	(25,219)
S&P as % of Net Revenues	13.8%	13.6%	16.7%	14.3%		22.0%		7.7%
Health Care Reform Fee	(31,251)	(29,700)	(28,791)	(33,535)	(6)	(17,000)	(16)	16,535
Health Care Reform Fee Change in Accounting		0	0	(30,000)		0	l	
Other - US	(17,641)	(4,128)	(8,746)	(17,973)	(7)	(15,579)	(17)	2,394
OPERATING EXPENSES	(867,577)	(840,443)	(690,198)	(720,370)		(655,647)		64,723
Operating Expenses as % of Net Revenues	39.4%	41.1%	45.0%	39.9%		50.9%	l	11.1%
SG&A as a % of Net Revenues	20.7%	21.1%	25.3%	21.5%		32.2%	1	10.6%
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	1,052,788	945,533	633,405	854,207		473,926	1	(380,281)
Operating margin as % of Net Revenues	47.8%	46.2%	41.3%	47.3%		36.8%		-10.5%
Incentive Bonus	(34,285)	(39,638)	(38,908)	(35,751)	(8)	(38,797)	(18)	(3,046)
Insurance Income	3,520	990	850	200		500	l	300
Settlement Expense	(14,247)	(41,759)	0	(695)		0		695
TOTAL INCENTIVES AND SETTLEMENTS	(45,012)	(80,407)	(38,058)	(36,246)		(38,297)		(2,051)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	1,007,776	865,126	595,347	817,961		435,629	1	(382,332)
Operating margin as % of Net Revenues	45.8%	42.3%	38.8%	45.3%		33.8%		-11.4%
Other Items Royalty Income - ex US	83,961	48,465	39,031	40,088		38,877		(1,211)
Royalty Expense - ex US	83,901	(6,755)	(6,450)	(7,370)		(8,059)	l	(1,211)
Ex US Expenses	(65,063)	(186,198)	(199,275)	(199,090)		(192,393)	l	6,697
Other ex-US expenses	(15,026)	(15,665)	(11,007)	(16,274)		(17,622)	I	(1,348)
Gain on Infinity stock	,15,525)	124,581	(11,007)	(10,2/4)		(17,022)	I	(1,5-0)
One Time Charges/Other Items	(2,146)	(65,082)	(16,092)	(27,599)	(9)	(15,118)	I	12,481
Interest Income / (Expense), net	1,354	199	200	200	·	200	I	
TOTAL OTHER ITEMS	3,080	(100,455)	(193,593)	(210,045)		(194,115)	1	15,930
		(===,:50)	,,,,,,,	(===,0 10)		(,)	1	,3
PROFIT/LOSS BEFORE TAX	\$ 1,010,856	\$ 764,671	\$ 401,754	\$ 607,916	\$	241,514	1	\$ (366,402)
								0.4

APPENDIX OXYCONTIN

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Oxycodone ER Monthly Kilograms



1,064

1,014

1,021

2015 Budget

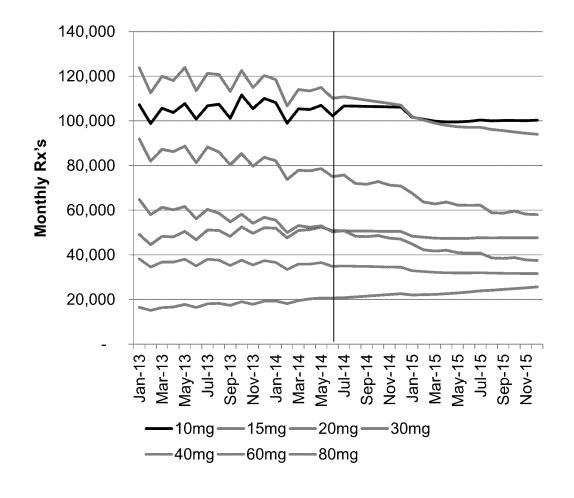
1,095

1,054

1,044

OxyContin Rx's by Strength 99 1010249 IVE ORDER

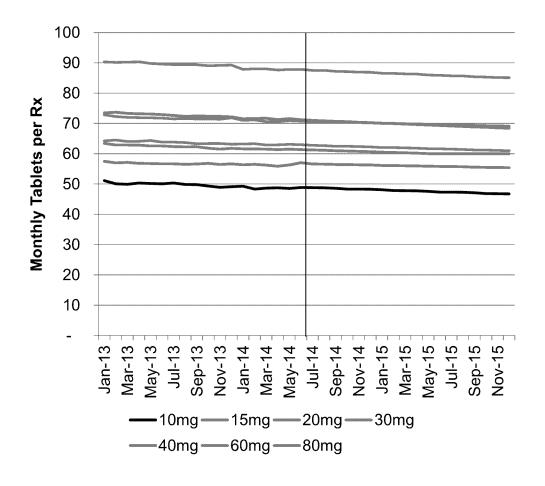
The strength mix continues to shift towards lower strengths.



	YTD 6/14 vs. YTD 6/13	2015 vs. 2014
10mg	0.4%	-5.0%
15mg	20.0%	14.0%
20mg	-4.8%	-12.4%
30mg	6.1%	-6.1%
40mg	-10.1%	-18.0%
60mg	-2.8%	-9.0%
80mg	-13.2%	-19.9%

OxyContin Tablets per Rx by Strength

Tablets per Rx are expected to decline from 63.6 on average in 2014 to 61.6 in 2015.



	YTD Avg. 6/14 vs. YTD Avg. 6/13	2015 Avg. vs. 2014 Avg.
10mg	-3.1%	-2.6%
15mg	-1.0%	-1.1%
20mg	-2.2%	-1.8%
30mg	-1.7%	-1.9%
40mg	-2.5%	-2.5%
60mg	-1.8%	-1.4%
80mg	-2.4%	-1.9%

OxyContin S&P Spend Detail

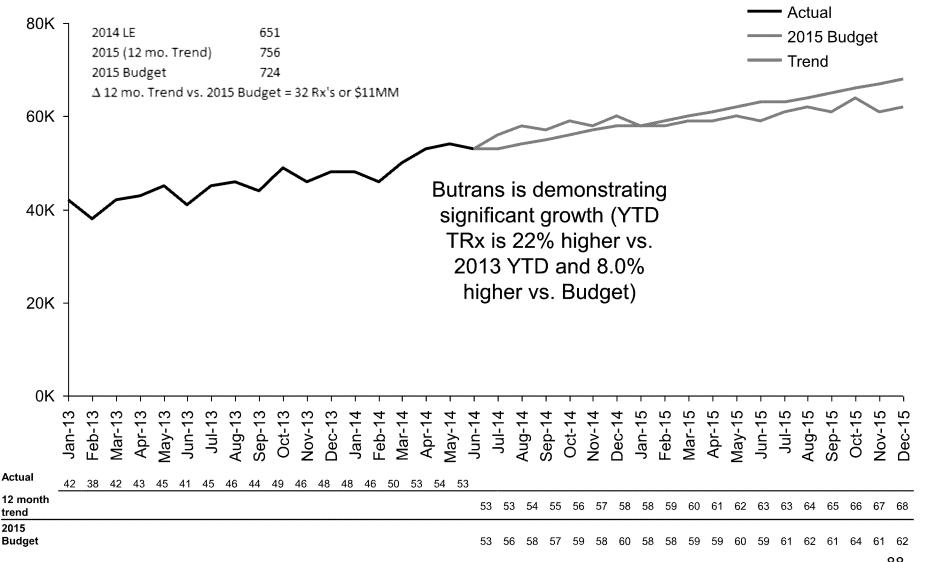
\$000s		2014 Latest	2014 LE vs.		2015 Budget
	2014 Budget	Estimate	2014 Budget	2015 Budget	vs. 2014LE
Core Activities					
Agency Spend	8,962	8,111	(850)	2,837	(5, 274)
Promotional Materials - All Other	750	750	-	500	(250)
Savings Cards	7,306	6,375	(931)	4,064	(2, 312)
Patient Savings Card Task Savings Target	•	-	*	(310)	(310)
Conventions	413	393	(20)	358	(35)
Fingertip Formulary	999	655	(344)	509	(145)
Market Research - Primary, Secondary, and Analytics	1.450	1,250	(200)	314	(936)
Medi Scripts	250	250	~	-	(250)
Learn Something	~	-	-	184	184
Postage	325	325	-	325	•
All Other	793	543	(250)	214	(328)
Subtotal Non Allocated Activities	21, 247	18.651	(2,595)	8,9 9 5	(9, 656)
Data allocations to brand (largely IMS)	1.056	1,056	~	2,557	1,501
Physician's Desk Reference		•	•	101	101
Subtotal Allocated Supporting Activities	1,056	1,056	•	2,658	1,602
Procurement Savings				(589)	(589)
Subtotal Core Activities	22,303	19,707	(2,595)	11,064	(8, 643)
New Initiatives Included in Sales Forecast					
Professional Television Network	594	444	(150)	3,000	2, 556
Call Center	1,022	639	(383)	808	169
Peer Direct	500	500	•	1,000	500
Physicians Interactive	-	350	350	4,275	3, 925
Procurement Savings				(454)	(454)
Subtotal New Initiatives Included in Sales Forecast	2,116	1,933	(183)	8,629	6,696
Total Promotional Spend	24,419	21,640	(2,778)	19,693	(1,947)
Framational Spend as % of Net Sales	1.5%	1.4%	-0.5%	2.5%	C. 5%
Cover my Me ds	•	•	•	1,600	1,600
Total Promotional Spend with New Initiatives	24,419	21,640	(2,778)	21,293	(347)
Promational Spend as % of Net Spies	1.9%	1,4%	-0.5%	2.1%	C. 7%

APPENDIX BUTRANS

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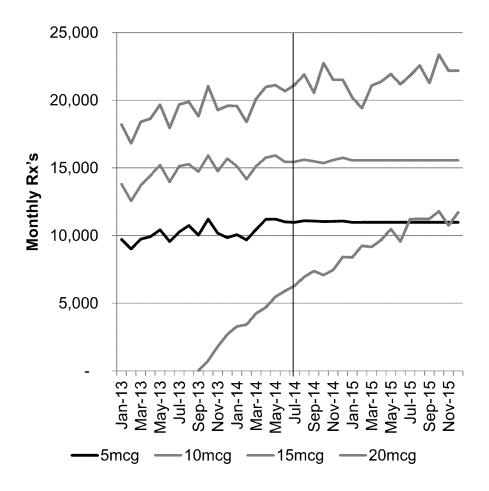
Butrans Monthly Rx's

TREAT SUB PCQT103 104 1249 IVE ORDER



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Butrans Rx's by Strength



	YTD 6/14 vs. YTD 6/13	2015 vs. 2014
5mcg	9.03%	1.33%
10mcg	10.17%	3.35%
15mcg	N/A	76.22%
20mcg	9.42%	1.08%

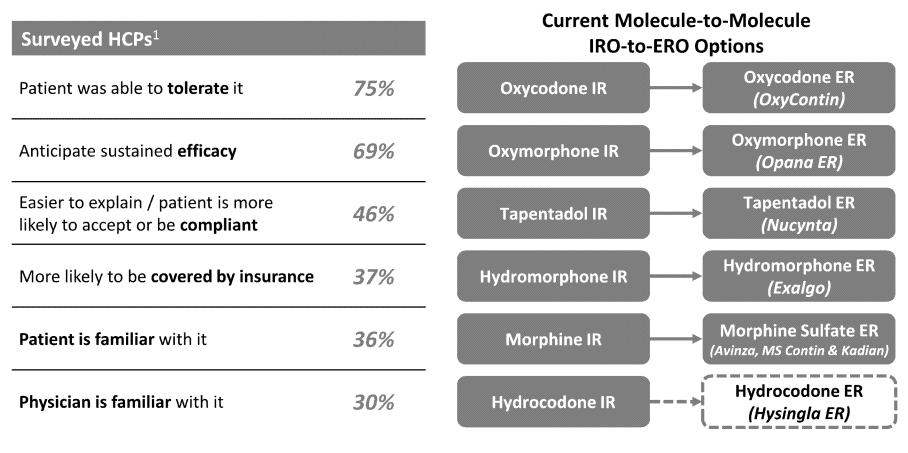
Butrans S&P Spend Detail

			20	14 Latest	2014	LE vs	201	15 Budget	201	5 Bud vs
Core Activities		14 Budget	Estimate		2014 Budget		Proposal		2	014 LE
Agency Spend		3,765		3,630		(136)		3,204		(425)
e Marketing Other		65		65	•			•	(65)	
Patient Savings Card		2,288		2,599	411		2,857		158	
Patient Savings Card Task Savings Target								(190)		(190)
Marketing Education Programs (Speakers)		2,500		2,400		(100)		1.836		(564)
Journal Advertising		980		980	-			1,250	270	
Direct Mail, Print & Mailing Costs for Rep Promotional Materials		1,220		1,020	(200)			1.020		
Adherense Program		750	750		605		1,000		395	
Market Research + Primary, Secondary, and Analytic		1.519		1.339	(180)			822	(517)	
Marketing Initiatives		-		~				700		700
Conventions		80 9		779		(30)		487		(292)
Fingertip Formulary Services and Formulary Grids		880		452		(428)		445		(5)
Special Promotions - Recurring projects		870		555		(315)		900		345
Butrans Experience Program		380		230		(150)		305		75
Postage		525		425		(100)		350		(75)
IMS Data & Physicians Desk Reference		704		704		-		477		(227)
Producement Savings		-		-				(783)		(783)
Subtotal Core Activities		17,254	\$	15,882	\$	(1,372)	\$	14,681	\$	(1,201)
New Initiatives Included in Sales Forecast										
Call Center				183		183		328		145
Physicians Interactive				350		350		745		395
Procurement Savings								(54)		(54)
Subtotal New Initiatives Included in Sales Forecast		•	5	533	5	533	5	1,019	\$	486
Total Promotional Spend		17,254	5	16,415	5	(839)	\$	15,700	5	(715)
Pramo siana (Spiena las % a f Neis Salles		13.8%		13.5%		-0.4%		11.2%		-2.3%
Cover my Meds	\$	-	\$	-	\$		\$	1,400	\$	1,400
Total Promotional Spend with New Initiatives	\$	17,254	\$	16,415	\$	(839)	\$	17,101	\$	685
Pramational Spend as % of Net Sales		13.8%		13.5%				12.2%		-1.3%
						-0.4%				

APPENDIX HYSINGLA ER

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Benefits of Keeping Patient on Same Molecule



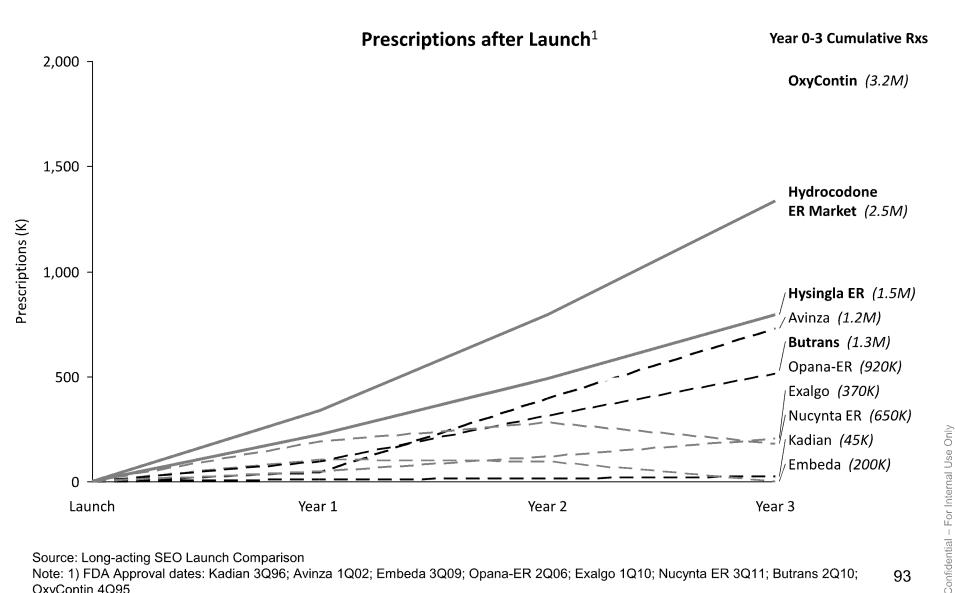
Other than Zohydro, there is currently no molecule-to-molecule switch available for hydrocodone IR patients

Note: 1) Based on PCPs (n=98), NP/PAs (n=48), Pain Specialists (n=95), Oncologists (n=45)

Sources: Hydrocodone ER Exploratory, April 2013; HYD Drivers of Choice Report, December 2013; Chronic Pain Patient Flow Study Update,

November 2013

Hysingla ER Forecasted Performance Relative to Other Launches

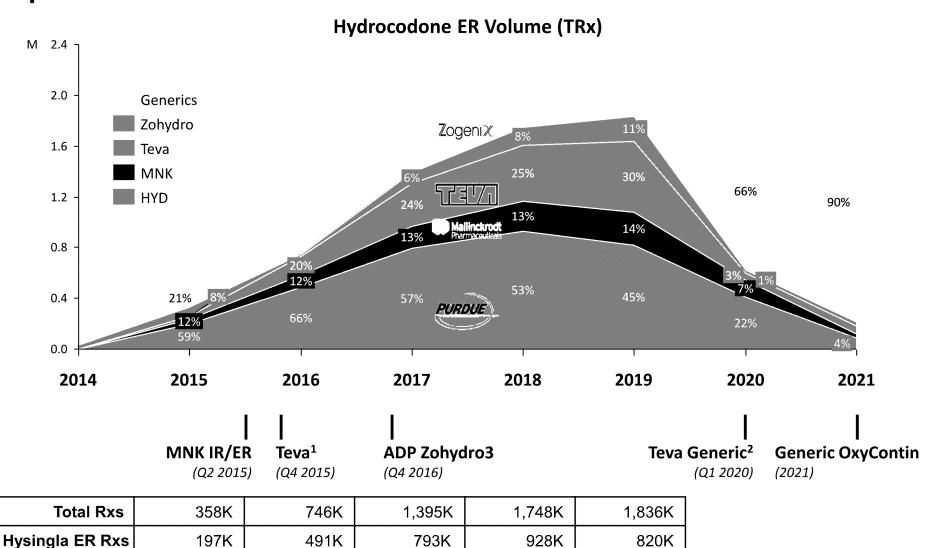


Source: Long-acting SEO Launch Comparison

Note: 1) FDA Approval dates: Kadian 3Q96; Avinza 1Q02; Embeda 3Q09; Opana-ER 2Q06; Exalgo 1Q10; Nucynta ER 3Q11; Butrans 2Q10;

OxyContin 4Q95

Hydrocodone ER Competitive Dynamics



Note: 1) Initial analysis indicated Teva would launch at start of Q4 2015. Teva filed NDA in October 2014 indicating potential Q3 market entry; 2) Generic Teva enters the market in 2020, while generic Hysingla ER will enter in 2021, generic entry shows only generic volume captured from the branded hydrocodone ER market, excludes generic hydrocodone uptake from other generic molecules Sources: Butrans Market by Specialty, February OxyContin LRx Report, Peak brand share of new entrants from Source of Business Data (IMS); Monitor Deloitte Analysis

2015 Product Development Budget Submission



Todd Baumgartner
November 2014

File Name: 2015 Budget Submission RD vF

Agenda

- Overview
- Product Development
 - Butrans 2nd Generation
 - OCI
 - MSR
 - HCA
- US Collaboration on IAC projects
 - Esteve
 - GL Pharma
- 2015 Budget



TREAT SUB PGT1102-160 1249 VE ORDER



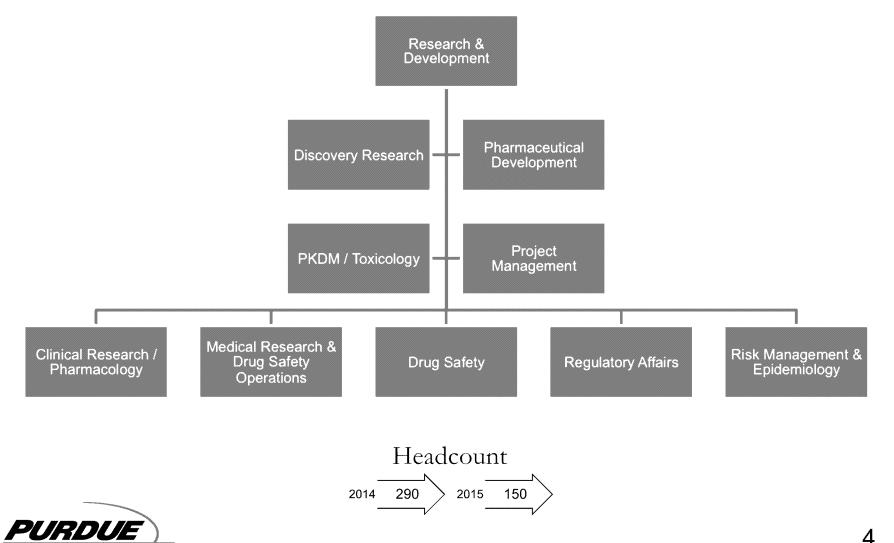
EXECUTING PURDUE'S STRATEGY – COMPETE, WIN & GROW



TREAT SUB PCT1123 100 1249 IVE ORDER

2014 Accomplishments:

Redesigned and Right-sized the R&D Organization



TREAT SUBPOT 1124 10 TEAS ORDER

2014 Accomplishments:

Product Development

- FDA Approvals: Targiniq ER NDA, ER/LA Opioid class label & REMS, Butrans intermediate strength & multiple patch
- FDA Submissions: Hysingla ER NDA (Priority Review), OCI NDA, OxyContin Tier 4 abuse-deterrence label and Pediatric exclusivity (6 months additional exclusivity), Butrans higher strengths
- New Patents issued support ORF and HYD
- Drive efficient, compliant wind-down of de-emphasized projects ongoing
- Prepared ADF development plan to maximize value of current platforms















TREAT SUBPOT 115 15 16 12 49 VE ORDER

2014 Accomplishments:

Leadership in Pain Management

- Leadership in abuse deterrence
 - Presented abuse deterrence results to FDA, NIDA, Health Canada, DEA, United Healthcare, RADARS annual meeting
 - Led branded industry presentations at Oct 30-31 FDA public meeting on abuse deterrence
- Active leadership position among ER/LA opioid companies in PMR program, class REMS and other interactions with FDA
- Led the revision of all labeling & promotional materials following FDA Safety Labeling Change for all ER/LA opioid products





Delivering the "Must Wins" in 2015 & Beyond



Become the preferred BD Partner

- Dedicated R&D team/MDs to support BD assessments; "all hands" flexibility adopted
- Establish "virtual"Discovery-BD model
- Innovation sourced from partnerships / external sources



Achieve Commercial Excellence

- Ensure alignment with commercial objectives on strategic direction of development projects and LCM
- Provide data & insight in support of commercial strategy
- Be the first company to achieve a Tier 4 abuse-deterrent label based on epidemiology data
- Demonstrate abuse deterrence of Hysingla ER in the real world



Adopt a "Lean" Operating Structure

- Continue to improve R&D efficiency and quality
- Meet all FDA postmarketing requirements
- Implement improved material review & document management/submiss ion systems



Optimize the Pain Portfolio

- Support Hysingla ER launch
- Butrans: 2nd generation
- ADF products (MSR, HCA)
- Biased ligand lead
- OAG sleep study



Demonstrate our Value to Customers

- Maintain or further enhance Purdue's reputation at FDA
- Evolve Big Data strategy of benefit to IDNs or payers, Purdue and patients

Recruit, Retain & Engage the Best People



TREAT SUB PGT1107PRO 249IVE ORDER

The "New" Discovery Research

Discovery Research

Opioid Research
IND Target 1Q2016

Virtual Discovery

Internal Resources

Molecules

Cellular Assays

KO Animals

Virtual Resources
Chemistry CRO
Pharmacology CRO
Academics

World-wide Scouting Network
World-class Informatics
Platform

- Capability includes proprietary biology for competitive advantage in biased opioid research, supplemented by external research contractors
- Global virtual discovery to create new business development opportunities for Purdue



TREAT SUB PGT118 10 1249 IVE ORDER



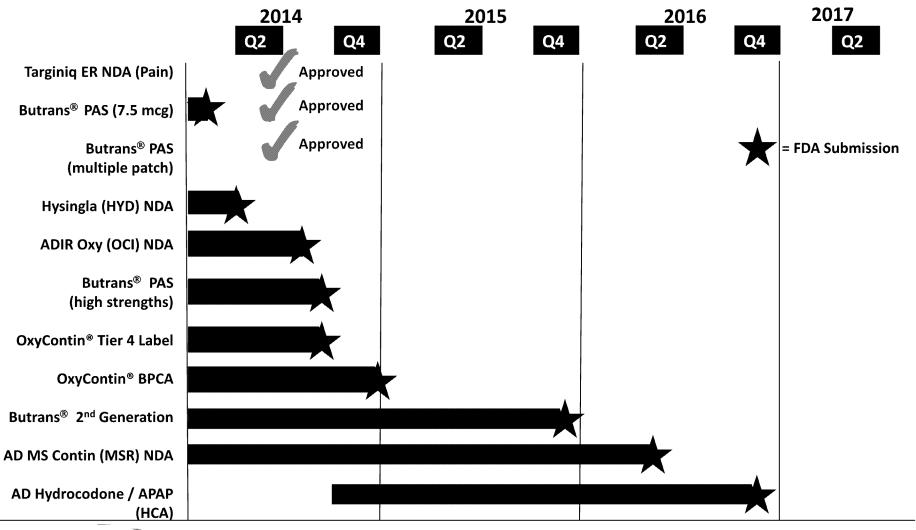
PRODUCT DEVELOPMENT



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Product Development Overview*

FDA Submission Development and Post Submission Support



PURDUE

*PREA programs not included (BUP, Dilaudid, Hysingla)

TREAT SUB PGT120 00 1249 VE ORDER

Butrans 2nd Generation

Value Proposition

- Improve product 2nd generation will include a smaller patch size with a lower drug load, a "state of the art" hypoallergenic adhesive, and softer polyethylene foil
- Improve Butrans exclusivity If patent term extension is not available, then 2nd Generation Butrans would help maintain exclusivity for approximately 2 additional years
- NPV (assuming patent term extension is not available) \$58MM



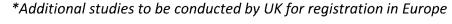


Butrans 2nd Generation



Provisional Program Milestones

Activity	2014	2015	2016	2017	2018	2019
Non-clinical						
■ BUP-N-048 (Heat Application Study)						
Clinical						
■ BUP1506 (Dose Prop)						
■ BUP1026 (Bioequivalence)						
■ BUP1027 (Adhesion)						
 BUP1028 (Skin Irritation & Sensitization) 						
■ BUPXXXX (Tech Transfer)		Timing T	BD			
sNDA Submission		♦	4Q 2015			
Action Date			♦ 2Q 20	 16 		
Launch			♦ 3Q	 2016 		





Butrans 2nd Generation Budget



	R&D											
						Total 2015 -						
Department / Budget Item*	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	End						
People Cost (1) - Equivalent FTE's	\$ 4,037,904 7.2	\$ 7,147,046 12.4	\$ 2,486,432 4.3	\$ -	\$ -	\$ 9,633,478						
Direct Cost Clinical	1,014,734	9,991,600	-	-	-	9,991,600						
Nonclinical	1,012,005	1,063,225	232,805	120,000	-	1,416,030						
Other R&D	50,000	2,590,000	1,100,000	-	-	3,690,000						
Subtotal - Direct Cost	2,076,739	13,644,825	1,332,805	120,000	-	15,097,630						
Total R&D	\$ 6,114,643	\$ 20,791,871	\$ 3,819,237	\$ 120,000	\$ -	\$ 24,731,108						

Note:

(1) People Cost is based on budgeted FTEs at \$578,240 per FTE per year for 2015 and beyond.



TREAT SUBPOT 123 100 1249 IVE ORDER

OCI

Value Proposition

- Purdue is recognized as the leader in ADF technology. Our AD products offer an opportunity to reduce abuse of prescription meds while at the same time providing a good return on investment. OCI represents an opportunity to utilize our experience in developing abuse deterrent products to improve IR oxycodone.
- There are no forms of IR single-entity oxycodone with abuse-deterrent labeling on the market. There are reports of significant levels of abuse of Roxicodone
- OCI is formulated with gelling and aversive excipients and expected to deter intravenous and intranasal abuse
- NDA was filed 29-Aug-2014 and launch expected in 2015
- NPV \$213MM



TREAT SUB PGT124POT249IVE ORDER

OC]

Program Milestones

Activity	2014	2015	2016	2017	2018	2019
Non-clinical ■ SLS Chronic Toxicology: Rat/Dog NDA Submission (505(b)(2)	♦ 3Q 20	14 √)			
Action Date (12 month) Launch						



TREAT SUB P29T11257801249IVE ORDER



	R&D											
						Total 2015 -						
Department / Budget Item*	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	End						
People Cost (1) - Equivalent FTE's	\$ 7,025,616 12.5	\$ 289,120 0.5	\$ -	\$ -	\$ -	\$ 289,120						
Direct Cost												
Clinical	(315,966)	-	-	-	-	-						
Nonclinical	2,311,770	1,250,080	-	-	-	1,250,080						
Other R&D	1,400,335	287,087	-	-	-	- 287,087						
Subtotal - Direct Cost	3,396,139	1,537,167	-	-	-	1,537,167						
Total R&D	\$ 10,421,755	\$ 1,826,287	\$ -	\$ -	\$ -	\$ 1,826,287						

Note:

(1) People Cost is based on budgeted FTEs at \$578,240 per FTE per year for 2015 and beyond.



TREAT SUB PCGT126 60 1249 IVE ORDER

MSR

Value Proposition (P&L)

- Improve product MSR represents an opportunity to improve our current product and to continue our leadership in ADF technologies.
- MS Contin is being formulated using Resistec[™] our proprietary technology employing physical/chemical barriers to deter abuse
- Expected launch 2017
- NPV \$119MM



TREAT SUB PGT127PO 1249IVE ORDER

MSR

Provisional Program Milestones

Activity	2014	2015	2016	2017	2018	2019
Non-clinical						
Final Formulation Selected (15, 30, 60, 100, 200)		4Q 2014				
■ In-vitro Abuse Deterrence Testing						
Clinical						
 Pilot PK (up to 6 iterations; including dose prop) 						
■ Pivotal BE (6 studies)						
Abuse Potential (2 studies)						
End of Phase 2 Meeting		♦ 2Q 2019	 			
NDA Submission			♦ 2Q 20	 16		
Action Date				♦ 2Q 20	 17	
Launch				♦ 2Q 2	D17	



TREAT SUB P29T1128 10 1249 VE ORDER



	R&D											
						Total 2015 -						
Department / Budget Item*	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	End						
People Cost (1) - Equivalent FTE's	\$ 3,807,648 6.8	\$ 9,020,544 15.6	\$ 3,093,584 5.4	\$ -	\$ -	\$ 12,114,128						
Direct Cost Clinical	4,585,000	10,665,000	-	-	-	10,665,000						
Nonclinical	745,000	2,710,000	-	-	-	2,710,000						
Other R&D	291,798	496,693	1,387,656	-	-	- 1,884,349						
Subtotal - Direct Cost	5,621,798	13,871,693	1,387,656	**	-	15,259,349						
Total R&D	\$ 9,429,446	\$ 22,892,237	\$ 4,481,240	\$ -	\$ -	\$ 27,373,477						

Note:

(1) People Cost is based on budgeted FTEs at \$578,240 per FTE per year for 2015 and beyond.



TREAT SUBPOTIZE ORDER

HCA

Value Proposition (P&L)

- Purdue is recognized as the leader in ADF technology. Our AD products offer an opportunity to reduce abuse of prescription meds while at the same time providing a good return on investment. HCA represents an opportunity to continue that leadership. There are currently no forms of IR hydrocodone/APAP with abuse-deterrent labeling on the market.
- There is the potential for transition from non-ADFs in this class in favor of ADFs
- HCA is being formulated with gelling and aversive excipients and expected to deter intravenous and intranasal abuse
- Expected launch 2018
- NPV \$54MM



TREAT SUB PGT130 PG 1249 IVE ORDER

HCA

Provisional Program Milestones

Activity	2014	2015	2016	2017	2018	2019
Non-clinical						
 Final Formulation Selected (15, 30, 60, 100, 200) based on dissolution & preliminary in-vitro testing (no PK studies) 		1Q 2015				
 In-vitro Abuse Deterrence Testing 						
Stability						
Clinical						
■ Pivotal BE (2 studies)						
 Abuse Potential (1 study) 						
NDA Submission			♦	4Q 2016		
Action Date				♦	4Q 2017	
Launch					1 Q 2018	
		1				l







	R&D											
						Total 2015 -						
Department / Budget Item*	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	End						
People Cost (1) - Equivalent FTE's	\$ 1,347,840 2.4	\$ 4,250,064 7.4	\$ 5,814,203 10.1	\$ -	\$ -	\$ 10,064,267						
Direct Cost												
Clinical	-	528,850	2,600,150	-	-	3,129,000						
Nonclinical	200,000	325,000	675,000	-	-	1,000,000						
Other R&D	-	605,960	2,267,109	-	-	2,873,069						
Subtotal - Direct Cost	200,000	1,459,810	5,542,259	-	-	7,002,069						
Total R&D	\$ 1,547,840	\$ 5,709,874	\$ 11,356,462	\$ -	\$ -	\$ 17,066,336						

Note:

(1) People Cost is based on budgeted FTEs at \$578,240 per FTE per year for 2015 and beyond.



TREAT SUB PGT13200 1249 IVE ORDER



US COLLABORATION ON IAC PROJECTS



TREAT SUBPOT 133 16 1249 VE ORDER

Redacted



TREAT SUB PGT134POT249IVE ORDER

Redacted



TREAT SUB PGT13500 1249 IVE ORDER



R&D BUDGET



19-23649-ph/m-Doc/2249-13-orFiled-01/11/21-or-Entored-01/11/21-23:08:07-or-Exhibit 13-

2015 Budget Proposal - R&D (Only) Expense

(\$MM's)	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	2015 vs. 2014 LE
R&D Spend	\$ 279.2	\$ 212.6	\$ 181.8	\$ 135.5	\$ (46.3)
R&D as % of Net Sales	13.6%	13.9%	10.1%	10.5%	0.5%
Headcount (end of year Budget)	310	275	154	150	(4)

2014 Budget		\$ 212.6
	Increase/	l
	(Decrease)	
MSR - Slower formulation development; higher expected spend in 2015.	\$ (12.3)	
HYD - Reduced Phase 3 clinical spend in 2014 as prior year spend was higher.	(11.0)	
Targiniq - Close down of Pain+ OIC studies.	(17.5)	
OCI - Reduced clinical spend in 2014 as prior year spend was higher.	(3.5)	
ORF - Acceleration of sNDA filing into 2014.	4.0	
HCA - Vicodin ADF and other new initiatives.	4.5	
All Other: Reduction in underspend estimate offset by organizational changes.	5.0	
Subtotal		\$ (30.8)
2014 Latest Estimate	-	\$ 181.8
	•	

2013 Actual		\$ 279.2
	Increase/ (Decrease)	
Targiniq - Pain NDA submission in 2013; Closeout of Pain+ OIC studies in 2014.	\$ (76.7)	
HYD - NDA submission in early 2014; offset by startup of PREA in 2015.	(47.0)	
ORF - sNDA submission accelerated into 2014.	(18.3)	
OCI - sNDA submission in 2014.	(13.9)	
Redacted	(17.5)	
MSR - Increase in Phase 1 BE studies based on formulation development in late	21.4	
HCA - Vicodin ADF and other new initiatives.	17.6	
BUP - Increase in develop costs for BE, skin irritation and tech transfer studies.	14.5	
All Other - headcount reductions/restructure in 2014.	(23.8)	
Subtotal		\$ (143.7
2015 Budget Proposal		\$ 135.5



19-23649-ph/m-Doc/2249-13-orFiled-01/11/21-or-Entored-01/11/21-23:08:07-or-Exhibit 13-

2015 Budget Proposal - R&D (Only) Expense

		2013	2014	2014 Latest		2015 Budget	20	15 Budget Vs. 2013 A	•	
		Actual	Budget	Estimate		Proposal		\$	%	
Discovery and Redacted Collaboration	\$	40.5	\$ 18.3	\$ 13.9	\$	8.9	\$	(31.6)	-78.1%	4
Project Development		136.6	103.7	75.3		27.8		(108.8)	-79.6%	\downarrow
(Targiniq, Hysingla, BUP 2nd Gen)										
ADF		17.2	35.6	24.4		42.3		25.1	145.3%	\uparrow
(OCI, MS Contin TR, Vicodin)										
Pediatric		35.5	27.3	32.0		16.6		(18.9)	-53.2%	\downarrow
(ORF, BUP, Hysingla)										
Marketed Products Support (1)		35.1	43.8	33.8		30.7		(4.4)	-12.5%	\
All Other ⁽²⁾		14.2	(16.1)	2.4		9.2		(5.0)	-35.5%	4
Tot	al <u>\$</u>	279.2	\$ 212.6	\$ 181.8	\$	135.5	\$	(143.7)	-51.5%	\downarrow
R&D as % of Net Sales		13.6%	 13.9%	 10.1%		10.5%		-3.1%	NA	
FTE Headcount		310	 275	154	,	150		(160)	-51.6%	\

Note 1: Marketed Products Support includes non development project related spend in Risk Management, Regulatory and Drug Safety.

Note 2: All Other includes expenses not specifically allocated to projects and Cranbury Occupancy costs. It also includes the Underspend Estimate as follows: 2014B = \$24.5 mm; 2014LE = \$5 mm and 2015B = \$3.5 mm.



2015 Budget Proposal – Project Spend Expense (R&D Only)

				Te	ch Transfer	r	Medical					Direct	People Cost		Project	
_	Clinical	NonClinical		Transfer		F	Research		Regulatory		All Other		Total	Total		Total
BUP Existing	\$ 3,695,767	\$	331,180	\$	-	\$	348,028	\$	29,831	\$	271,667	\$	4,676,473	\$	2,417,043	\$ 7,093,516
BUP 2G	9,991,600		1,063,225		2,450,000		-		140,000		-		13,644,825		7,147,046	20,791,871
BUPAdd	-		-		-		-		10,000				10,000		57,824	67,824
sub-total	13,687,367		1,394,405		2,450,000		348,028		179,831		271,667		18,331,298		9,621,914	27,953,212
HCA	528,850		325,000		511,329		-		94,631		-		1,459,810		4,250,064	5,709,874
HYD	4,785,000		500,000		83,776		954,588		199,812		436,667		6,959,843		4,244,282	11,204,125
MSR	10,665,000		2,710,000		441,063		5,677		49,953		-		13,871,693		9,020,544	22,892,237
OAG	1,550,000		242,000		-		-		14,986		-		1,806,986		1,734,720	3,541,706
OCI	-		1,250,080		212,157		-		74,930		-		1,537,167		289,120	1,826,287
ONU	-		75,000		-		292,610		14,986		-		382,596		289,120	671,716
ORF	200,000		153,114		-		26,000		199,812		1,441,667		2,020,593		2,602,080	4,622,673
VND	-		-		-		-		4,995		-		4,995		115,648	120,643
New Initiatives	1,055,000		940,000		598,343		-		189,263		-		2,782,606		9,089,933	11,872,538
Project Total	\$ 32,471,217	\$	7,589,599	\$	4,296,668	\$	1,626,903	\$	1,023,199	\$	2,150,001	\$	49,157,587	\$	41,257,424	\$ 90,415,011



R&D Key Budget Drivers

- Virtual Discovery
- **Abuse Deterrence**
 - **MSR**
 - **HCA**
- **Development Projects**
 - BUP2G
 - OAG for sleep
- Postmarketing Requirements
 - **BUP** (including pediatrics)
 - **HYD** (including pediatrics)
 - **ORF**
 - Class REMS
 - Class PMR Studies



R&D Key Budget Assumptions

- Budget is based on the current work plan
- Budget for in-licensed projects will be addressed prior to project initiation
- Activities not included in the budget
 - Targiniq Launch activities (including epidemiology studies)
 - Targiniq pediatric study (based on request for revision of FDA requirement)
 - VAN or OAG (beyond POC in sleep)
 - BNA
- HCA BE studies will not be required by FDA
- Organization should be prepared to initiate work on late stage development assets
- No exploratory technology development in Pharmaceutics
- Expecting a 30-40% increase in adverse event (AE) reports from HYD launch and other activities
- DSP will continue to be responsible for processing AEs for the OxyContin Authorized Generic (AG) products as well as all pharmacovigilance activities for Rhodes marketed products



TREAT SUB PGT141PO 249IVE ORDER



THANK YOU



TREAT SUB PGT142-160 1249 IVE ORDER



BACK-UP MATERIALS



2015 Budget Proposal - R&D (Only) Expense

(\$MM's)	Expense Budget											
					2	014 Latest		2015 Budget	20	15 vs 2014		
	20	13 Actual	20	014 Budget	_	Estimate		<u>Proposal</u>	20	<u>LE</u>		
Research and Development:	=	70 / 101001		771 Daagot		<u> Louinato</u>		ropodar				
Discovery Research	 \$	16.4	\$	14.8	\$	10.0	\$	6.3	\$	(3.7)		
RedactedCollaboration	*	2.9	*	(1.1)	*	(0.7)	•	(1.0)	•	(0.3)		
Nonclinical		40.0		30.8		27.6		22.3		(5.3)		
Cranbury Occupancy		13.1		13.8		14.7		12.1		(2.6)		
Tech Transfer		3.3		6.0		2.1		4.3		2.2		
Clinical Program		117.4		80.0		52.8		30.5		(22.3)		
Medical Research		27.9		30.4		22.9		20.2		(2.6)		
R&D Innovations		5.4		~		_		_		`- ´		
Outsource Management		1.2		1.4		0.9		0.6		(0.3)		
Project Management		5.0		4.3		3.2		2.1		(1.1)		
Risk Management		12.6		18.0		17.6		17.6		0.0		
Regulatory		15.0		19.7		18.5		9.5		(9.0)		
Drug Safety		8.1		8.7		7.1		6.4		(0.7)		
Stamford Occupancy / Depreciation		10.9		10.3		10.3		8.2		(2.1)		
Total R&D - Gros	\$	279.2	\$	237.0	\$	186.8	\$	139.0	\$	(47.8)		
Underspend Estimate		_		(24.5)		(5.0)		(3.5)		1.5		
Targeted Cost Reductions - 2015		-		-		-		-				
Total R&D - Ne	t s	279.2	\$	212.6	\$	181.8	\$	135.5	\$	(46.3)		
Total R&D - Ne	t \$	279.2	\$	212.6	\$	181.8	\$	135.5	\$	(-		

	Head	dcount	
<u>2014</u> <u>Budget</u>	2014 Latest Estimate	2015 Budget Proposal	2015 vs 2014 LE
47	7	10	3
_	-	_	_
50	35	35	_
13	8	8	_
-	-	-	_
_	_	_	_
71	44	45	1
-	-	_	_
7	3	3	=
17	9	8	(1)
14	11	11	- '
25	16	15	(1)
31	21	15	(6)
275	154	150	(4)



-19-23649-shlm-Doc-2249-13:-o-Filed 01/11/21---Entered-01/11/21-23:08:07--- Exhibit 13-

2015 Budget Proposal – R&D Expense (R&D Only)

	M	

			2014	2015									
	2013 Actual	2014 Budget	Latest Estimate	Budget Proposal	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2015-2023 Total
Butrans:													
BUP - Existing Strengths	\$ 8.6	\$ 7.3	\$ 8.0	\$ 7.1	\$ 6.0	\$ -	\$ -	\$ - \$	S -	\$ -	\$ -	\$ -	\$ 13.1
BUP - Add'l Strengths	4.1	1.4	1.4	0.1	0.1	-	-	-	-	-	-	-	0.1
BUP - 2G	0.9	6.1	6.1	20.8	3.8	0.1	-	-	-	-	•	-	24.7
Total	13.5	14.8	15.5	28.0	9.9	0.1	-	-	-	-	-	-	38.0
HYD (1)	58.2	39.2	28.2	11.2	8.4	6.8	0.1	-	-	-	-	-	26.5
Targiniq (2)	77.4	58.4	40.9	0.7	-	-	-	-	-	-	-	-	0.7
Oxy ADIR (OCI) (3)	15.7	13.9	10.4	1.8	-	-	-	-	-	-	-	-	1.8
Oxycontin	22.9	18.6	22.6	4.6	1.8	-	-	-	-	-	-	-	6.5
Redacted	3.9	0.6	2.0	3.5	-	-	-	-	-	-	-	-	3.5
	12.8	-	2.3	0.1	-	-	-	-	-	-	-	-	0.1
	4.4	4.0	0.4	-	-	-	-	-	-	-	-	-	-
MS Contin Reformulated (Abuse Deterrent) (4)	1.5	21.7	9.4	22.9	4.5	-	-	-	-	-	-	-	27.4
Redacted	1.1	4.6	3.5	-	-	-	-	-	-	-	-	-	-
HCA - Hydrocodone APAP (Vicodin ADF)	-	-	1.5	5.7	11.4	-	-	-	-	-	-	-	17.1
New Initiatives		-	3.0	11.9	18.9	2.6	-	-	-	-	-	-	33.4
Total Development Projects	211.7	175.8	139.8	90.4	54.9	9.5	0.1	-	-	-	-	-	154.9
Project Support (5)	16.0	2.6	3.2	11.6	10.0	5.0	-	-	_	-	-	-	26.6
Discovery Support (6)	16.4	14.8	10.0	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	56.3
Total Available for Project Support & New Initiatives	32.4	17.4	13.2	17.9	16.3	11.3	6.3	6.3	6.3	6.3	6.3	6.3	82.9
Market Support (7)	35.1	43.8	33.8	30.7	30.7	30.7	30.7	25.7	15.7	5.7	5.7	5.7	181.7
Underspend Estimate	-	(24.5)	(5.0)	(3.5)	3.5	-	-	-	-	-	-	-	-
Total R&D	\$ 279.2	\$ 212.6	\$ 181.8	\$ 135.5	\$ 105.4	\$ 51.5	\$ 37.1	\$ 32.0 \$	22.0	\$ 12.0	\$ 12.0	\$ 12.0	\$ 419.5
R&D Expense As A % of Net Sales	13.6%	13.9%	10.1%	10.5%	N.A.								

Note 1: Includes Pediatric PREA expense.



Note 2: Excludes Pediatric PREA expense.

Note 3: Includes all expenses through NDA submission and review period.

Note 4: Assumes spend through FDA filing.

Note 5: Project Support includes spend in Medical Research, Nonclinical and Project Management not specifically allocated to projects. It also includes Cranbury Occupancy. Reduced to \$0 after 2017 as projects reach completion.

Note 6: Discovery Support excludes Cranbury occupancy costs included in Project Support.

Note 7: Market Support includes non project related spend in Risk Management, Regulatory and Drug Safety. It also includes Stamford Occupancy.

TREAT SUBPLOT 145 10 1249 IVE ORDER



A PROPOSED STRATEGY FOR VIRTUAL DISCOVERY AT PURDUE



TREAT SUBPOT 146 100 1249 VE ORDER

Purdue's <u>Internal</u> Research Is Focused And Optimally Virtual

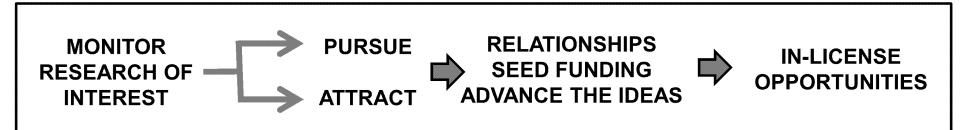
- Internal research is strictly directed towards biased opioids with a goal to file an IND in the US in Q1 2015.
- Internal experimental capability centers on novel molecules, assays, and animals that give competitive advantage.
- Agreements with multiple CROs and academic laboratories provide additional access to routine capabilities as needed.



Purdue's External Virtual Discovery Sciences

Goal:

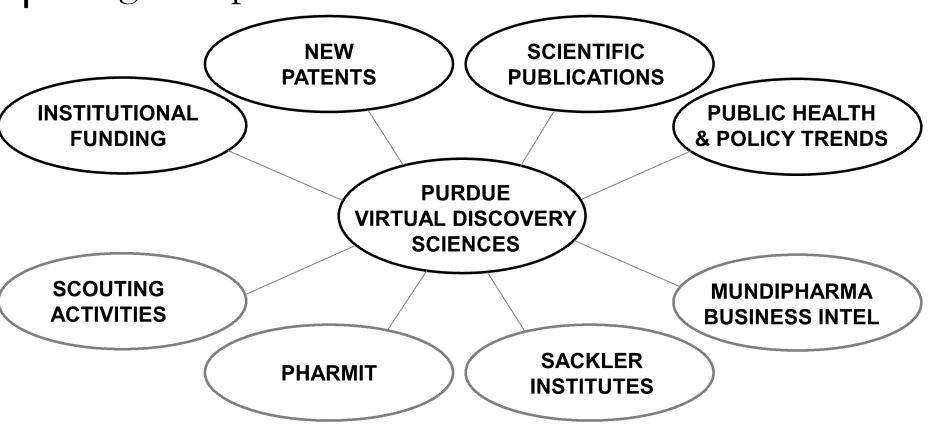
- Establish an external network of research & development, matching a small in-house staff with premier science and innovation around the world.
 - Steady delivery of high quality business opportunities
 - Not limited to pain or stage of development
 - Must be competitive
- Strategy:





TREAT SUBPOT 148 10 1249 IVE ORDER

Being Competitive...



- Purdue has unique capabilities that will enhance the efficiency of our processes while creating a competitive business advantage.
 - Re-purposed informatics/visualization systems
 - Sackler Institutes provide head-start access to top Universities
 - Mundipharma's existing science network in Europe & beyond.



Deliverables

- Provide analytics & science content that can inform the Purdue licensing strategy
- Identify attractive opportunities early & facilitate increased number of deals for Purdue
- Provide enhanced scientific diligence & competitive analysis
- Elevate the stature of Purdue as a partner of choice & help expand our portfolio



2015 Budget Proposal Technical Operations







David Lundie November 3, 2014

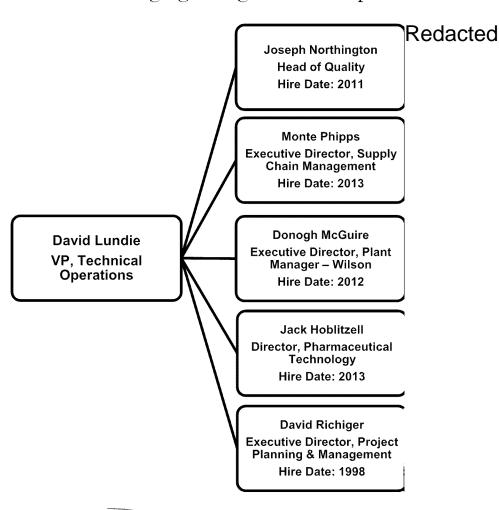
CONFIDENTIAL

File Name: 2015 Budget - Tech Ops - Board - D. Lundie - Nov. 2014

PUBLICLY FILED PER STIPULATION [ECF 2140]

Technical Operations

Includes: Manufacturing, Quality, Supply Chain, Distribution, Pharmaceutical Technology and Packaging Design & Development



2014 Notable Events

Compliance

- DEA, FDA Zero comments / 483 citations
- FM Global Risk top rating 100% for 4th year

Customer Service: 34% volume increase

- Purdue
 - OxyContin, plus Settlements
 - Butrans 7.5mcg and West Caldwell qualified
 - Hysingla ER in Q3/Q4 2014
- Rhodes Manufacture, Supply, Distribution
 - MSER. Launched OxylR and Oxy APAP
 - Supply Chain Excellence Award 3rd Year
- Mundipharma
 - Registered in 21 markets and launches in 5

Cost and Continuous Improvement

- Avoided 44 FTE's Scale-up OxyIR, MSER, Oxy APAP, Packaging optimization. IT Systems
- Tablet Conversion cost down 8% year-over-year

Project Breeze- New Facility

- Major steps on restructuring to a single Technical Operations (Tech Ops) Hub
- Treyburn on schedule and within budget

2

PURDUE

.9 23649 ohlm Doc 2249 13: or Filed 01/11/21 or Entered 01/11/21 23:08:07on Exhibit 13

2015 Budget Assumptions, Risks and Sensitivities

<u>Purdue</u>

- OxyContin and launch of Hysingla ER and OCI (Oxycodone IR- ADF)
- Butrans 2nd Generation and higher strength filings. No significant change in OTC
- ADF / R&D Development Work: Morphine (MSR) and Hydrocodone (HYD) APAP. Dilaudid technology transfer to Wilson

International Associated Companies (IAC's) / Mundipharma

- Registration and Launch of OxyContin New Formulation (ONF) in new markets
 - Increasing 147% from 17 to 42 markets
- Poised to support Oxy IR-ADF and Hysingla ER: Canada, APAC, MEA and LATAM

Rhodes

- Continued supply of Oxy IR, Oxy APAP, MSER. Increased distribution volume from Wilson
- Development: Hydromorphone ER, HYD APAP, Oxy APAP, MSER and transdermals

Major Process / Cost Improvements

- Tech Ops Hub: Totowa close mid-2015. Treyburn project on schedule with occupancy mid-2015
- Bulk Material handling, Serialization requirements, Packaging efficiency and Scale-up Oxy IR-ADF

Budget Risks and Sensitivities

- Rhodes Pharma (RP) Volume: MSER, Oxy IR and Oxy APAP contribution \$16 mm
- OCI Strategy: assumed 1:1 switch-out with Oxy IR for the Oxy IR-ADF version on FDA approval
- Inventory Write-offs and Variances: \$8 mm total \$4 mm oxycodone revaluation of Rhodes Technologies supplied API and \$4 mm finished goods write-off of which Butrans comprises \$1 mm



3

mundi pharma

Rhodes

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Cost of Goods Sold Summary

(\$MM's)	2013 Actual		 2014 Latest Estimate		2015 Budget Proposal	
Material	\$	75.7	\$ 73.4	\$	48.2	(1)
Labor & Overhead		66.7	64.8		56.2	(2)
Total Direct COGS	\$	142.4	\$ 138.2	\$	104.3	
Inventory W/O's and Variances	\$	3.9	\$ 4.9	\$	8.3	(3)
Subtotal Cost of Goods Sold	\$	146.3	\$ 143.0	\$	112.7	
Rhodes Pharma / Mundi Recovery		(8.2)	(16.8)		(19.7)	(4)
Total Cost of Goods Sold	\$	138.1	\$ 126.2	\$	93.0	
% of Gross Sales		5.0%	4.9%		4.6%	(5)
% of Net Sales		6.7%	7.0%		7.2%	(5)

2015 Budget vs. 2013 Actual

- (1) Material Cost Reductions Down 36%: Driven by lower sales (\$20.5 mm), reduced oxycodone pricing (\$5.9 mm), and Procurement savings (\$1.1 mm).
- (2) Lower Labor and Overhead; Down \$10.5 mm Tech Ops Hub synergies & Totowa reductions, Operational Efficiencies.
- (3) Inventory Write-Off's Increased \$4.4 mm; Oxycodone revaluation \$4.3 mm. Butrans qualify second source API \$1.0 mm.
- (4) Rhodes and Mundipharma Overhead Recovery up \$11.5 mm tablet volumes increase 103% over 2013.
- (5) <u>Bottom-Line</u>: COGS as a % of Gross Sales has decreased 8%; from 5.0% to 4.6%.
 - Note that while material, labor and overhead costs continue to decrease through cost savings initiatives, and the Rhodes/Mundipharma overhead contribution grows, the reduction in Net Sales out paces these reductions.



Tablet Manufacturing Summary

Tablets in MM's

		2013 Actual	2014 Latest Estimate	2015 Budget Proposal	v	et Proposal s. Actual % Change
	OxyContin	430	361	354	(76)	
	Oxyconum	430	301	304	(70)	
Purdue	Hysingla	-	3	6	6	100%
1 31 333	MS Contin	2	6	1	(1)	-57%
	Total Purdue	432	370	361	(71)	-16%
Mundipharma/ IAC's	OxyContin	11	73	40	29	262%
	T -					
Rhodes	MSER	304	277	262	(42)	-14%
	Oxy IR	-	63	148	148	100%
	Oxy APAP	-	76	189	189	100%
	Total Rhodes	304	416	599	295	97%
Total Commercial Tablets		747	859	1,000	253	34%

2015 Total Tablet Volume Versus 2013 Actual

- Purdue Commercial volume down 16%: OxyContin and limited volume for Hysingla ER in 2015.
- Mundipharma / IAC's Tablets up 262%;. Initial supply to Australian market (2014) replaced with registration of 42 international markets (Middle East / Africa, Asia Pacific and Latin America).
- Rhodes Pharmaceuticals (Generic) Tablets up 97%; underlying MSER high volume plus Oxy IR and Oxy APAP launches.

Bottom Line: 34% Increased Activity



Third Party Supply Chain and Packaging Metrics

	2013 Actual	2014 Latest Estimate	2015 Budget Proposal		
External Batches	506	(16%) 445	423		
International SKUs	46	237% 63	155		
International Territories	17	147% 21	42		Budget Drivers
Total Units Distributed - Wilson	9.3	29% 11.3	12.0		
Approved Headcount	34	(9%)	31	,	
Labor & OH Spending (\$MM's)	\$6.2	(8%) \$6.0	\$5.7		Budget Costs

Supply Chain Productivity with Increasing Complexity:

Activity Changes 2013 vs. 2015

- International SKUs and territories increasing 237% and 147% respectively
 - Conversion from OxyContin classic to ONF
 - Conversion from bottles to blister packs
- Introduction of Rhodes Oxy APAP and Oxy IR, and International ONF blisters equates to 80+ batches at our third party packagers

Costs

 Less headcount, lower labor and overhead cost (-8%) due primarily to efficiency gains realized as we move to single Tech Ops Hub in NC

International Complexity

- Multiple languages, regional distribution partners and different Regulatory requirements
- Market serialization requirement



Quality Control Metrics

				1	
	2013 Actual	2014 Latest Estimate	2015 Budget Proposal		
Total Batches	1019	(16%) 833	858		
Routine Testing (# of LIMS tests)	7,806	6,844	8,469		
Stability/Development Tests (# of tablets tested)	1,307	Note 1 5,317	1,418		
Total Testing Activity (# of LIMS tests + # of NR tablets tested)	9,113	12,161 Note 2	9,887		Budget Drivers
Test/Analyst	480	579	449		
Audits	71	50	50		
Approved Headcount	73	69	70		
Labor & OH Spending \$MM	\$11.7	(6%) \$10.9	\$11.0		Budget Costs

QC Sample Testing

Note 1: Increase of 4,000 tests driven by FDA guidance on testing for Hysingla ER, OxyAPAP and OxyIR launches

Note 2: Tablet volumes and complexity increasing since 2013 - mitigated by impact of Batch Scale-up (X6 fold) reduces samples by 4,230 or 43% in 2015

Lab investigations/ total tests improved: 0.68% to 0.23%

2015 Efficiency Initiatives Quality Control

- Computerized Systems, Robotics and Sample Preparation Improvements (3.0 FTE's)
- Test / Analyst shift caused by increasing equipment changeovers due to product mix

Quality Assurance

 Streamline - Auditing, Complaints and Adverse Events: \$650k annual savings

QC Costs Down 6%



Wilson Operations Metrics

Wilson	2013 Actual	2014 Latest Estimate	2015 Budget Proposal	
Commercial Tablets (mil)	747	34% 859	1000	
Mfg. SKU's	55	113	136	Budget Drivers
Development Batches	93	70	129	
Headcount	202	3% 206	209	
Labor & OH Cost \$MM	\$37.3	\$39.8	\$39.9	Budget Costs
Commercial Batches	513	388	434	
Tablet Conversion Cost (cents)	\$0.050	(20%) \$0.046	\$0.040	Operational
MM's Tablets Per FTE	3.7	30% 4.2	4.8	

2013-2015

Tablet increase 34%

Total headcount up only 3% due to:

- 63 FTE's avoided via efficiency projects
- Productivity / FTE up 30%

Yield increases continue to provide a \$1.8 mm savings annually

RP Partnership

Growing the 2015
 expected manufacturing
 contribution to ~ \$16
 mm resulting in lower
 cost to Purdue's P&L

Tablet conversion cost comes down 20%



Technical Operations Headcount Summary

	2013 Approved	Tech Ops Hub Synergies & Restructure	Unbudgeted Oxy IR Changes	2014 Latest Estimate	Tech Ops Hub Synergies Realized	2015 Board Requests	2015 Proposed Budget
Wilson	108	-7	9	110	0	1	111
Total Quality	107	-11	3	99	0	1	100
Supply Chain	28	0	0	28	-3	0	25
IT	24	0	0	24	0	0	24
Pharm Tech, Package Design & All Other	24	-4	0	20	-1	1	20
Totowa	18	-13	0	5	-5	0	0
Total Tech Operations	309	-35	12	286	-9	3	280

Headcount: 29 FTE Reduction

Activity: + 34%

Complexity (SKU's): Mundipharma + 237% and Rhodes +317%

Headcount: Down 29 - 2013 Approved to 2015 Budget

Driven by process optimization, Tech Ops Hub synergies, and improved Quality systems

2015 Headcount Requests: 3

- Manufacturing Shift Supervisor
- Lab DEA Accountability
- Packaging Development & Design Projected Rhodes and Mundipharma SKU volume / complexity



Technical Operations Budget 2013 Summary Major Deliverables

Compliance: Sustained Commitment

- ✓ Positive Regulatory position with respect to cGMP, DEA, FM Global and EHS functions.
- ✓ Inspection Readiness (LATAM, APAC, MEA, REMs, Oxy IR-ADF Pre-Approval Inspection)

Customer Service: Optimize Pain, Preferred Partner and Commercial Excellence

- ✓ Maintain >99% Delivery Performance for existing Purdue, Mundipharma and RP products
- ✓ Ensure Launch Supply of Hysingla ER, OCI (Oxycodone IR-ADF). Support ADF programs

Cost: Lean Operating Structure Outcomes from Start of 2014 to Budget 2015

- ✓ Tablet Volume; + 34%
- ✓ Total COGs; Down \$45 mm
- ✓ Labor and O/H; Down \$10.5 mm
- ✓ Tablet Conversion Cost; 4.0 cents
- ✓ Tech Ops FTE's; Down 29 FTE's

- Number batches down by 15%
- Down 33% from \$138 mm to \$93 mm
- Reduced by 16%
- Down 20%
- Avoided / Reduced 107 FTE's over the period
 - ✓ Continuous Improvement Initiatives (-63 FTE)
 - ✓ Restructuring / Tech Ops Hub (- 44 FTE)

Strategic Initiative: Project Breeze and Technical Operations Hub

- ✓ Treyburn Operational: Certificate of Occupancy in July 2015
- ✓ Equipment and Facility Qualified complete by end 2015



TREAT SUBPOT 160 POT 249 VE ORDER

Back-Up Slides

- Benchmarking Performance
- Project Breeze and Technical Operations Hub Strategy Summary
- Third Party Manufacturing Batch Plan
- Headcount Detail



TREAT SUB PGT161P60 249 VE ORDER

Benchmarking: Technical Operations

Measure	2014	Industry Average	Industry Best
On Time Delivery	99.6%	97.0%	99.3%
Shipped Complete	100.0%	97.0%	99.7%
Right First Time	93.8%	85 - 95%	99.4%
Schedule Attainment	100%	92.0%	97.0%
OEE (Overall Equip. Effectiveness)	37.0%	29.0%	39.0%
FM Global Rating	87	55	87
FDA (% of companies with 483s)	0%	23%	0%

Wilson - Internal Cost / Efficiency Metrics	2011	2012	2013	2014 LE	2015 B
Tablet Conversion Cost (cents)	\$0.073	\$0.063	\$0.050	\$0.046	\$0.040
Millions Tablets per FTE	2.6	3.1	3.7	4.2	4.8
Manufacturing Yields: ONF/ OTR	96.4%	98.0%	97.8%	97.8%	97.8%
Manufacturing Yields: MSER	95.6%	96.5%	96.2%	97.0%	97%



✓ Positive trends on all key metrics

12

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Technical Operations Hub

Interim Review of Projected Operating Costs



Treyburn Site - April 2014



19-23649-9htm.Doc.2249-13co.Filed-01/11/21co.Estened-01/11/21-23:09:07co.Exhibit 13-

Impact of Tech Ops Hubtreat Sub Pegt 163 164 191 VE ORDER

Manufacturing Strategy on Operating Costs and Efficiency

	<u>2011</u> Tech Ops Hub Approved Wilson & Totowa	2014 Current Wilson + Totowa as back up	<u>2018</u> Wilson & Treyburn Tech Ops Hub Fully Operational
Labor and O/ H for Manufacturing Sites	\$50.4 mm	\$47.9 mm	\$65.4 mm
Operational Headcount (Manufacturing Sites)	214	213	299
Tablet Capacity	1.2B tablets	1.2B tablets	1.8B tablets
Tablet Volume	490 mm	859 mm	1.5 B
MM's tablets per total Operations FTE	2.3	4.0	6.2
Tablet Conversion cost	10 cents	5.6 cents	3.5 cents
IAC Tablet Volume	174 mm	489 mm	1.5 B
IAC Overhead Contribution	\$2.7 mm	\$16.3 mm	\$30.3 mm
Purdue Net Overhead After IAC Contribution	\$47.7 mm	\$31.6 mm	\$35.4 mm

Impact of Technical Operations / Hub Strategy

- Tablet Conversion Cost: 10 cents to a projected 3.5 cents (Models in 2011 predicted 4.5 cents)
- Net overhead for manufacturing after IAC contribution: \$47.7 mm to \$35.4 mm



TREAT SUB PCOT 164P 100 T249 IVE ORDER

Project Breeze Summary

Project Approved for \$67.5 on July 25, 2013

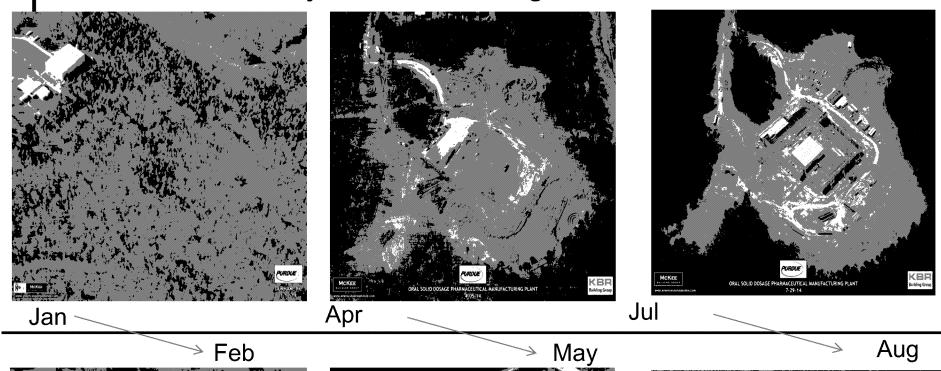
	Project Spend to Date	\$21.2 mm
	Open Commitments	\$ <u>31.3 mm</u>
	Total Spend / Committed	\$52.5 mm
•	Available to Spend / Commit	\$15.0 mm

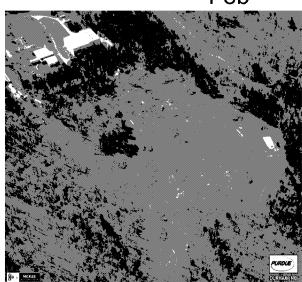
- Project is on track to be delivered on time and within budget
- Certificate of Occupancy is expected by July 1, 2015
- Engineering and Qualification staff going from 10 to 32 FTE's in 2015
- IT infrastructure group is scheduled to move into the facility in 4Q 2015
- Equipment and facility qualification to be completed by year end 2015

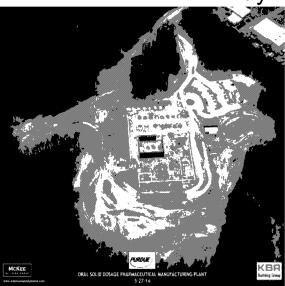


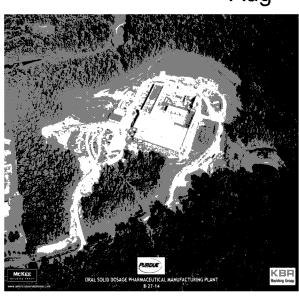


Project Breeze Progress 2014









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Totowa Transition and Technical Operations Hub

- Totowa Transition
 - 2015 budget assumes Totowa sold by June 30, 2015
 - Q1 2015 key Totowa equipment will begin being transitioned to new facility in Durham, NC
 - Site spending continues to decline:

	2012	\$12.4 mm	
•	2013	\$10.8 mm	(\$1.6 mm)
-	2014 LE	\$8.1 mm	(\$4.3 mm)
	2015 Budget	\$5.6 mm	(\$6.8 mm)

- Detailed plans are being put in place to facilitate a quick transition of the site to a new owner should an offer be finalized
 - ~ \$500K spend savings per month
- Headcount synergies continue to be realized as roles transition from Totowa to the NC Tech Ops Hub



Third Party Manufacturing Batch Plan



TREAT SUB PGT168 1649 IVE ORDER

Third Party Manufacturing Batch Plan

Product	2013 Actual	2014 Latest Estimate	2015 Budget Proposal
Betadine/Betasept	143	152	138
Senokot	83	57	49
Dilaudid	92	27	24
Colace/Peri-Colace	72	43	38
Butrans	38	23	28
OxyContin blisters	33	29	27
Mundi ORF (Blisters)	-	69	65
Rhodes Blisters	_	4	(15)
Intermezzo	8	3	9
Slow-Mag	37	40	39
Total External Mfg	506	445	423
	-		% change

2015 Budget Proposal vs. 2013 Actual		
(5)		
(34)		
(68)		
(34)		
(10)		
(6)		
65		
15		
(8)		
2		
(83)		
-16%		

Third party batch plan decreasing over 2013 Actual (16%) driven mainly by:

- Senokot, Colace and Peri-Colace promotions and technology transfers in 2013
- Reduced Dilaudid inventory

Rhodes and International packaging requirements increasing in 2014 / 2015



TREAT SUB PGT169 1649 IVE ORDER

Headcount



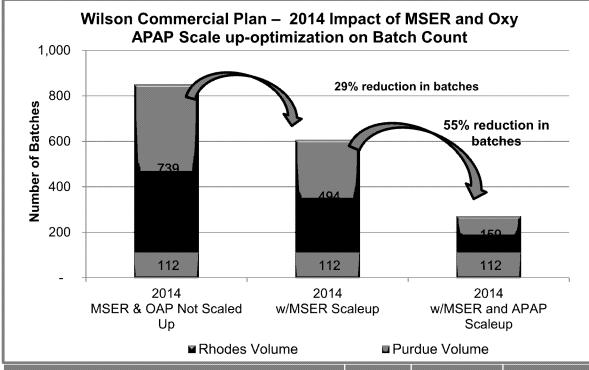
Technical Operations — Headcount By Function

	2013 Approved	2014 Latest Estimate	2015 Budget Proposal	Variance
Wilson	108	110	111	3
Quality COGS	73	69	70	(3)
Supply Chain	28	28	25	(3)
IT	24	24	24	-
Pharm Tech	13	12	12	(1)
PD&D	6	5	6	-
Other	5	3	2	(3)
Totowa	18	5	-	(18)
Total COGS Headcount	275	256	250	(25)
Corn Quality	34	30	30	(4)
Corp Quality	34	30	30	(4)
Total Tech Ops Headcount	309	286	280	(29)

29 FTE Reduction



Lean Operating Structure: Continuous Improvement Initiatives and Restructuring to Technical Operations Hub 2013 -2015



Headcount Reductions Due to Process Optimization (Note 1)	2013- 2014	2015 Budget Proposal	Total
Packaging lines, QC automation and DEA oversight improvements, Lab systems. RF Scanning	12.7	4.1	16.8
MSER, Oxy IR & Oxy APAP Scale-up Optimization	31.0		31.0
OCI (Oxy IR–ADF) Scale-up x6 and Optimization		15.3	15.3
Total	43.7	19.4	63.1

(Note 1) Excludes OxyContin X6 fold Scale -up, completed prior to 2014

Impact of Tech Ops Hub Synergies



Tech Ops Hub Restructuring	2013-201 FTE Reduction	
Totowa	18	
Quality	11	
Wilson	7	
Supply Chain	3	
Pharm Tech / Other	3	
IT/ HR/ Finance/ EHS	2	
Total FTE's	44	

Grand Total: Elimination of 107 FTE's

22

PUBLICLY FILED PER STIPULATION [ECF 2140]

2015 Budget Submission



Susie Robinson 2015 People Programs

November, 2014

File name: 2015 Budget Planning - HR Admin Services EHS

- 1. My First 60 Days
- 2. Executive Summary
- 3. 2014 Achievements
- 4. The Health of our Workforce
- 5. 2015 Objectives
- 6. 2015 Budget



- There is collective confidence that it is an exciting time in Purdue's evolution
- The organization is well positioned for change
- HR is transforming itself to align with the new business strategy and meet the current and future needs of the business



In 2015, we will have three areas of focus that are also reflected in our budget proposal:

- Talent Management Capabilities and Programs
- HR initiatives that help to advance our business strategy and transformation agenda
- Cost discipline lower costs, greater value



Our Must Wins: 2014 Achievements

Recruit, Retain & Engage the Best People

- Implement Talent Capabilities Assessment
- Redesign Performance Management Program

Adopt a Lean Operating Structure

- Benefits Plan Changes and Cost Reductions
- Organizational Structure Redesign & Downsizing
- Real Estate Optimization & Reduction
- Support the EHS requirements of new equipment implementations and plant closing



TREAT SUB PLOT 1707 PRO 1249 VE ORDER

Benefits: 2015 Strategy and Changes

Strategic Approach

- A benefits offering that reflects our culture and diverse workforce
- Emphasis on employee ownership of decisions
- High level of quality and value
- Automated and streamlined
- Increased focus on preventative healthcare

Cost Approach

- Appropriate and competitive cost sharing model (70% employer paid /30% employee paid)
- All programs and providers were marketed and aggressively negotiated

2015 Plan Changes

- Post-65 Retiree Medical Benefits
 - Program eligibility continued for active employees maintained in the PPLP Pension Plan and eliminated for all other employees
 - Implemented Retiree Spending Account model
 - □ Spending account model provides \$2,500 per covered participant
 - Reduction of accrued liability for this benefit (Accrual reduced by \$25 million)
 - Reduces on-going accounting expense by \$6 million per year
- Employee Medical Benefits Program
 - Consumer Directed Health Plan Option
 - Tax deferred Health Savings Account with employer contribution
 - This Consumer Directed model will lead to lower overall expenses due to increased claim cost awareness and management by participants.



2015 Projected Employee Benefit Plan Expenses

	Total Annual Cost¹			
	2013	2014 Budget	2015 Budget	2015 Budget
Medical / Welfare	\$14,908	\$15,498	\$17,005	\$30.0 million
Retirement	\$23,712	\$19,596	\$18,264	\$32.4 million
Total	\$38,620	\$35,094	\$35,269	\$62.4 million
Change vs. Prior Year		-9.1%	1.4%²	-1.5%
Medical Plan Cost Share Ratio	78%/22%	73%/27%	70%/30%	-14.1%

We are maintaining well-run, competitive and cost-predictable plans

Medical Inflation in 2015 is projected to be 8%

² Population decreased 2.9%



decrease from 2013

¹ Includes Rhodes

TREAT SUB PCGT179 COT 2249 VE ORDER

Human Capital Metrics

- We are right-sizing the Organization
 - Company headcount trending downward from 1767 in 2013 to 1504 proposed for 2015
- We are hiring talented people
 - Hired and onboarded 122 new colleagues so far this year
- The workforce is stable, yet dynamic
 - Voluntary Turnover is 9.5% vs. the industry benchmark of 10%
- Our colleagues are very engaged
 - Despite the high level of change, cost containment, and restructuring over the past year, our recent Pulse Survey¹ results show a high level of engagement.
 - 99% understand how their role contributes to achieving business objectives
 - 99% understand Purdue's strategy of Compete, Win and Grow
 - 93% are proud to tell people where they work
 - 90% indicate they have the tools to do their job effectively
 - 87% are confident that our strategy will lead to growth and increased profitability
 - 80% feel valued for the work they do
 - 80% indicate their Manager inspires them

In 2015, we will implement a People & Workforce Dashboard



¹Results are preliminary with 579 respondents

Our Must Wins: 2015 Objectives

Recruit, Retain and Engage the Best People

- Strategic and operational Talent programs are our main focus
 - Talent Capabilities Assessment
 - New Recruiting Model
 - Colleague Onboarding Program
 - Diversity and Inclusion Program (Women's Network, other Affinity Group?)
 - New Performance Planning Program
- Communications
 - Build a new Intranet Site
 - Create a Human Capital Dashboard
- Total Rewards
 - Communicate our Total Rewards Philosophy
 - Assess competitiveness of our Compensation and Benefits programs
 - Compensation aligned with strategic goals and outcomes
 - Cost-efficient benefits programs that promote health & wellness

Adopt a Lean Operating Structure

- HR Org Design
- Technology enabled Objective Planning & Measurement
- □ HR Project Management Office
- Facilities Optimization



2015 Budget Proposal: HR, Admin Services, EHS

	\$'s					Headcount				
				% Variance to	% Variance to	2013	2014	2015	% Variance	% Variance
	2013 Actual	2014 Budget	2015 Proposed	2013	2014	Actual	Budget	Proposed	to 2013	to 2014
Human Resources	6,979,698	5,993,260	5,645,410	-19%	-6%	27	23	21	-22%	-9%
EHS	3,123,966	3,104,470	2,640,987	-15%	-15%	8	7	6	-25%	-14%
Admin Services	26,894,151	25,176,077	24,703,039	-8%	-2%	34	30	29	-15%	-3%
	36,997,816	34,273,807	32,989,436	-11%	-4%	69	60	56	-19%	-7%

We are doing more with less, and will continue to drive efficiency and increase effectiveness



2015 Budget Submission



Ed Mahony Finance November 2014

File Name: 2015 Finance - Budget Proposal V9

TREAT SUBPCT183 100 1249 VE ORDER

2015 Budget Process

- Zero Based Budget --- reviewed all spending keeping only that spend that is aligned with PROFITABLE GROWTH
- Cross functional review of spending by EC members
- Extensive use of ROI analysis
- Inflation and compensation increases offset by savings
- Each area set Procurement savings goals and those goals are embedded in the budget



TREAT SUB PGT184P601249IVE ORDER

Significant Overperformance vs. 2014 Budget

<u>\$MM's</u>

	2014	2014 Latest		
<u>-</u>	Budget	Estimate	<u>Variance</u>	Footnote
Net Sales	1,534.4	1,807.1	272.8	1
Settlement Impact - Gross Profit	(194.6)	(76.5)	118.1	2
Operating Expenses	(690.2)	(720.4)	(30.2)	3
Operating Profit - Purdue	595.3	818.0	222.6	4
Pre-tax profit - after ex-USA	401.8	607.9	206.2	5
Tax Distributions	(120.2)	(373.9)	(253.7)	6
Non tax distributions / available to invest	(331.9)	(288.9)	43.0	7
Cash at year end	432.4	757.6	325.2	8
PUPPUE				



TREAT SUB PGT185 60 249 VE ORDER

Significant Overperformance vs. 2014 Budget Footnotes

- 1 Net Sales over budget by \$272.8 mm due to :
 - OxyContin (+261 mm) (a) prescriptions over budget by 4.0% due to better execution (E2E, etc.) (\$93 mm), (b) consumption of AG delayed to 2015 (\$95 mm) and (c) favorability in returns and rebate expense (\$53 mm)
 - Butrans (+5 mm) prescriptions over budget by 8% due to better execution (E2E, etc.) and improved Medicare Part D coverage.
- 2 Decrease due to shift of AG settlements to 2015.
- 3 Operating expenses are \$30 mm higher than budget largely due to Healthcare Reform Fee accounting change (\$30 mm).
- 4 Operating Profit Purdue is higher than budget by \$222.6 mm.
- 5 Pre-tax profit is \$206.2 mm higher than budget, slightly lower than the operating profit improvement due to Purdue layoff costs of \$11 mm and ex-USA \$5 mm.
- 6 Tax distributions are higher than budget by \$253.7 mm due to budget assuming rebates on proposed Medicaid Line Extension rule being paid and therefore deductible in 2014 (now expected to be paid in 2015) and higher profits.
- 7 Non-tax distributions are lower than budget by \$43 mm driven by \$254 mm higher in taxes offset by higher pre-tax profit.
- 8 Cash is higher than budget by \$325 mm since (i) projected payment of additional rebates on proposed Medicaid Line Item rule are projected to be delayed to 2015 and (ii) pre-tax profit better than budget.



TREAT SUB PGT186 60 249 VE ORDER

2015 Budget Proposal

<u>\$MM's</u>

	2014 Latest Estimate	2015 Budget Proposal	Variance Fav / (Unfav)	Footnote
Net Sales	1,807.1	1,287.2		1
-changes due to settlements			(313.0)	
-changes due to other			(206.9)	
Settlement Impact - Gross Profit	(80.5)	(339.1)	(258.6)	2
Operating Expenses - before Hysingla	(720.4)	(547.4)	173.0	3
- Hysingla		(108.2)	(108.2)	
Operating Profit Purdue	818.0	435.6	(382.3)	4
Ex US expense net	(210.0)	(194.1)	15.9	5
Pre-tax profit - after ex-USA	607.9	241.5	(366.4)	6
Tax Distributions	(373.9)	(11.3)	362.6	7
Non tax distributions / available to invest	(288.9)	(200.0)	88.9	8
Cash at year end	757.6	507.3	(250.3)	9



TREAT SUBPOT 187POT 249IVE ORDER

2015 Budget Proposal - Footnotes

1 – Net sales decline of \$520 mm due to:

OxyContin - \$566 mm decrease due to settlements (\$313 mm), branded Rx decline (\$153 mm), higher rebates to maintain formulary coverage (\$102 mm), strength and tablet mix (\$99 mm) offset by 6% price increase (\$109 mm).

Butrans - \$18 mm increase largely due to 11% higher scripts driven by improved formulary coverage and new promotional initiatives.

Hysingla - \$55 mm of net sales in 1st year of launch.

Redacted

3 – Decrease in operating expenses of \$173 mm, with \$108 mm of that saving reinvested in Hysingla for a net reduction of \$65 mm due to:

- a. R&D reduction of \$63 mm with \$17 mm reinvested in Hysingla
- b. S&P reduction of \$57mm with \$82 mm reinvested in Hysingla
- c. Healthcare Reform Fee reduction of \$46 mm (\$30 mm for change in accounting in 2014 and \$16 mm for lower 2015 fee due to lower sales and assumed deduction of rebates paid on finalization of Proposed Medicaid Line Extension Rule).
- 4 Operating income decrease of \$382 mm due to lower gross profit margin on lower sales of \$445 mm, investment in Hysingla of \$108 mm, offset by lower operating expenses of \$173 mm.
- 5 Ex-USA expense decrease of \$16 mm due to lower layoff costs in 2015.
- 6 Pre tax profit decrease of \$362 mm represents operating income decrease of \$382 mm offset by lower ex-USA expense of \$16 mm
- 7 Tax distributions are lower by \$363 mm due to lower income and the assumed payment/deduction of the rebates on the proposed Medicaid Line Extension rule in 2015.
- 8 Non tax distributions are calculated to ensure cash and equity targets are achieved. The \$200 mm is higher than might be expected because 2015 taxable income is assumed to be offset by the projected tax deduction of the Medicaid Line Extension payment.
- 9 Cash is lower due to projected payment of additional rebates on proposed Medicaid Line Extension rule of \$220 mm in



2015 Budget Proposal - P&L

(\$000's)	2012 0	2014 Latest	2015 Budget	2015 Budget vs. 2014 Latest Estimate
(2000 s)	2013 Actual	Estimate	Proposal	Estimate
Gross Branded Product Sales	\$2,774,569	\$2,570,884	\$2,031,330	(\$539,554)
Fee for Service	(54,623)	(51,043)	(40,370)	10,673
Discounts and Allowances	(27,325)	(11,435)	(53,674)	(42,239)
Patient Savings Card Discounts	(44,874)	(41,225)	(37,441)	3,784
Rebates on Branded Sales	(559,600)	(640,307)	(610,501)	29,806
Proposed regulation adj for Medicaid rebates	(46,046)	(27,998)	(21,937)	6,061
Other	4,844	8,232	19,835	11,603
Rebates as % of Gross Branded Product Sales	21.8%	26.0%	31.1%	5.1%
NET REVENUE	2,046,945	1,807,108	1,287,242	(519,866)
Cost of Goods Sold	(138,119)	(126,240)	(92,992)	33,248
COGS as % of Gross Branded Product Sales	5.0%	4.9%	4.6%	-0.3%
Royalty Expense	(112,105)	(97,136)	(56,715)	40,421
Shipping and Warehousing	(10,745)	(9,155)	(7,962)	1,193
GROSS PROFIT	1,785,975	1,574,577	1,129,573	(445,004)
G&A (incl. Legal Department but excl. Legal Fees)	(154,433)	(131,304)	(131,130)	174
G&A (incl. Legal Department but excl. Legal Fees)	Z.5%	7.3%	10.2%	2 9%
	ledacted			
R&D	(296,493)	(195,020)	(149,170)	45,850
R&D Other - Milestone and Alliances	(8,518)	(4,999)	(5,610)	(611)
R&D as % of Net Revenues	14.9%	11.1%	12.0%	1.0%
Sales and Promotion	(277,775)	(257,939)	(283,158)	(25,219)
S&P as % of Net Revenues	13.6%	14.3%	22.0%	7.7%
Health Care Reform Fee	(29,700)	(33,535)	(17,000)	16,535
Health Care Reform Fee Change in Accounting	0	(30,000)	0	30,000
Other - US	(4,128)	(17,973)	(15,579)	2,394
OPERATING EXPENSES	(840,443)	(720,370)	(655,647)	64,723
Operating Expenses as % of Net Revenues SG&A as a % of Net Revenues	41.1% 21.1%	39.9% 21.5%	50.9% 32.2%	11.1% 10.6%
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	945,533	854,207	473,926	(380,281)
Operating margin as % of Net Revenues	46.2%	47.3%	36.8%	-10.5%
Incentive Bonus	(39,638)	(35,751)	(38,797)	(3,046)
Insurance Income	990	200	500	300
Settlement Expense	(41,759)	(695)	0	695
TOTAL INCENTIVES AND SETTLEMENTS	(80,407)	(36,246)	(38,297)	(2,051)
	(00),077	(30)210)	(30)237)	- (2,032)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	865,126	817,961	435,629	(382,332)
Operating margin as % of Net Revenues Other Items	42.3%	45.3%	33.8%	-11.4%
Royalty Income - ex US	48,465	40,088	38,877	(1,211)
Royalty Expense - ex US	(6,755)	(7,370)	(8,059)	(689)
Ex US Expenses	(186,198)	(199,090)	(192,393)	6,697
Other ex-US expenses	(15,665)	(16,274)	(17,622)	(1,348)
Gain on Infinity stock	124,581			- 1
One Time Charges/Other Items	(65,082)	(27,599)	(15,118)	12,481
Interest Income / (Expense), net	199	200	200	
TOTAL OTHER ITEMS	(100,455)	(210,045)	(194,115)	15,930
PROFIT/LOSS BEFORE TAX	\$ 764,671	\$ 607,916	\$ 241,514	\$ (366,402)



TREAT SUB PGT189 60 1249 VE ORDER

2015 Budget Proposal – OxyContin Patent Settlements – Margin Impact Lower and Delayed

\$MM's

	2014		 2015		2016 to 2020		Total
2013 10 Year Plan	\$	313.6	\$ 302.9	\$	1,536.1	\$	2,152.6
2014 10 Year Plan		181.9	211.9		925.4		1,319.2
2015 Budget Proposal		80.5	339.1		899.6		1,319.2

Includes contingency for future settlements.



2015 Budget Proposal – Net Sales

\$MMs	_			
		2013 Actual	2014 LE	2015 Budget
OxyContin				
-	Rx's (1)	5.7	5.4	4.8
	Gross revenue \$/Rx (2)	437	440	441
	Rebate %	23%	27%	33%
	Settlement Net Sales Impact_		(80.5)	(339.1)
	Net Sales	\$ 1,837.6	\$ 1,566.6	\$ 1,000.9
Butrans				
	Rx's	0.53	0.65	0.72
	Gross revenue \$/Rx (3)	268	306	341
	Rebate %	13%	25%	32%
	Net Sales ⁽²⁾	\$ 111.2	\$ 121.9	\$ 140.5
Hysingla				
, ,	Rx's			0.20
	Gross revenue \$/Rx (4)			327
	Rebate %			12%
	Net Sales			\$ 55.0
All Other	Net Sales	\$ 105.7	\$ 100.2	\$ 90.9
Total Net Sale	es ⁽²⁾	\$ 2,054.4	\$ 1,788.7	\$ 1,287.2

⁽¹⁾ Represents total Oxycodone ER scripts i.e. including scripts filled with AGs.

⁽⁴⁾ Price parity to OxyContin on Mg to Mg basis



⁽²⁾ List price increase January 2015 of 6% offset by reduction in strength mix and tabs/script

⁽³⁾ List price increase January 2015 of 6%

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2015 Budget Proposal - Cost of Goods Sold

- Cost Decreasing with Volume Increasing

(\$MM's)	20	12 Actual	20	13 Actual	201	4 Budget		14 Latest Stimate	l5 Budget roposal		2015 Budget Proposal vs. 2013 Actual Variance
Gross Sales	\$	3,004.9	\$	2,774.6	_\$_	2,258.8	_\$_	2,570.9	\$ 2,031.3		
Material	\$	76.8	\$	75.7	\$	64.1	\$	73.4	\$ 48.2		
as a % of gross sales		2.6%		2.7%		2.8%		2.9%	2.4%	(1)	
Labor & Overhead	\$	66.8	\$	66.7	\$	65.9	\$	64.8	\$ 56.2		
as a % of gross sales		2.2%		2.4%		2.9%		2.5%	2.8%		
Inventory Variances		6.4		3.9		3.0		4.9	\$ 8.3		
OxyContin Settlements COGS Reduction				-		(1.0)		(0.5)	(0.9)		
Rhodes Pharmaceuticals/Mundi Recovery		(1.5)		(8.2)		(12.7)		(16.3)	(18.8)	_(2)	
Total Cost of Goods Sold	\$	148.5	\$	138.1	\$	119.2		126.2	\$ 93.0	_	\$ (45.1)
as a % of gross sales		4.9%		5.0%		5.3%		4.9%	 4.6%	(3)	
COGS Headcount		274		275		246		256	250		-25

- (1) \$27.5 mm decrease from 2013 Actual driven by volume/mix (\$20.5mm), lower oxycodone_pricing (\$5.9 mm) and other cost reductions (\$1.1 mm).
- (2) Higher overhead recovery for IAC's (Rhodes Pharmaceuticals and Mundipharma) as their tablet volume increases 103% over 2013 Actual. Number of Ex US territories supplied by Technical Operations increasing from 17 to 42 (147%) since 2013.
- (3) Overhead and material costs continue to decrease in 2015 with 1) the removal of Totowa expenses (\$10.8 mm decrease 2013-2015), 2) lower Oxycodone pricing from Rhodes Technologies (-24%), 3) realization of some Tech Ops Hub synergies, 4) \$1 mm material cost reduction commitment, and 5) the continued growth of the Rhodes Pharmaceutical/Mundipharma overhead contribution. The impact of Technical Operations' commitment to cost reductions, continuous improvement and maximizing existing assets can best be seen as COGS performance against gross sales decreases from 2013 to 2015 (5.0% to 4.6%).



2015 Budget Proposal - Cost of Goods Sold

2014 Budget vs. 2014 Latest Estimate:		1
2014 Budget	\$ 119.2	
Material Volume/Mix for OxyContin \$8.4 mm, Dilaudid \$0.4 mm, Betadine/Betasept \$0.3 mm, and Colace/Pericolace \$0.3 mm.	9.4	
Inventory Write Offs Dilaudid due to reduced demand \$0.8 mm, Butrans expiry due to higher inventories during transition to LTS West Caldwell facility \$0.5 mm, and Targiniq ER development materials \$0.5 mm.	1.9	
Headcount Related Costs Recruiting and relocation costs for open headcount.	0.9	
Rhodes/Mundi Recovery Overhead recovery from incremental volumes.	(3.6)	
Wages and Fringe Open headcount in 2014 (\$1.5 mm), additional Project Slim favorability (\$0.5 mm) and 3 headcount reductions (\$0.2 mm). Offset partially by Oxy IR -12 headcount \$0.5 mm.	(1.6)	
Other	0.1	
2014 Latest Estimate	\$ 126.2	

2013 Actual vs. 2015 Budget Proposal:	
2013 Actual	\$ 138.1
Material Primarily volume and mix (\$20.5 mm) coupled with lower oxycodone pricing from Rhodes Technologies (\$5.9 mm) and \$1.1 mm other procurement savings.	(27.5
Discontinued Operation - Totowa	(10.8
Rhodes Pharmaceuticals/Mundipharma Rhodes Pharmaceuticals: Increase in overhead recovery of \$9.3 mm for manufacturing Rhodes Pharmaceuticals products (97% tablet increase). Mundipharma: Increase in overhead recovery of \$1.3 mm. Significant activity increase with the # of territories supported increasing from 17 to 42 and tablets up 262%.	(10.6)
Headcount Restructuring/Synergies Reduction of 40 full time positions and 7 temporary employees in COGS since 2013 due to restructuring and North Carolina Hub Synergies.	(5.3)
Inventory Write Offs Revaluation on OxyContin and Oxycodone API \$4.3 mm resulting from Rhodes Technologies price reduction coupled with Butrans Noramco 2nd source Buprenorphine \$1 mm offset by lower inventory write offs for Dilaudid and the elimination of Intermezzo in 2015 (\$0.9 mm).	4.4
Wages and Benefits Merit \$2.4 mm, Oxy IR Headcount 12 positions \$1.2 mm, 2015 headcount requests 3 positions \$0.4 mm.	4.0
IT Consulting Risk Mitigation, Laboratory Information Management System, Offshore Resources	0.9
Other	(0.3)
2015 Budget Proposal	\$ 93.0



Summary – Operating Expenses are reduced \$293 million with \$108.2 mm reinvested in Hysingla

\$MMs	Varia	nce		
	Closing 2013			
	Run Rate	2015 Estimate	\$	%
			<i>i</i>	
S&P before Hysingla	277.8	201.4	(76.4)	-27.5%
Other operating expenses	562.7	346.1_	(216.6)	-38.5%
	840.4	547.4	(293.0)	-34.9%
Hysingla		108.2	108.2	N/A
Total Operating Expenses	840.4	655.6	(184.8)	-22.0%



2015 Budget Proposal - Selling and Promotion

\$ '000s

Total S&P
S&P as % of Net Sales

201	13 Actual	2014 Budget				
\$	277,775	\$	256,630	-		
	1/10/		17%			

20	4 Latest 2015 Budge		
Estimate		Proposal	
\$	257,939	\$	283,158
	14%		22%

 Variance'15 vs '14						
\$ 25,219						
10%						

Variance'	15 vs '14
Base	(56,537)
Hysingla	81,756
Net	25,219

Approved Headcount	2013 Approved	2014 Budget	2015 Budget Proposal	Variance '15 vs '14
Field Reps	525	525	519	(6)
Other	227	214	209	(5)
Total	752	739	728	(11)



2013 Actual – 2015 Budget Roll Forward - Selling and Promotion

\$ '000s

2014 Budget		\$ 256,630
Sales bonus driven by higher demand	5,247	
Savings cards fees driven by higher demand	512	
Intermezzo spending not in 2014 Budget	549	
Spend reductions committed to in the Mid Year Update	(5,000)	
		\$ 1,308
2014 Latest Estimate		\$ 257,939

2013 Actual		\$ 277,775
Hysingla ER Launch	81,244	
50 person contract sales force	10,000	
New Promotional Initiatives - Call Center, Physicians Interactive (multichannel marketing), Cover My Meds (prior authorization/step edit assistance program)	10,182	
Build capabilities to support strategy across brands, including Managed Care Marketing and Institutional Account Management.	4,941	
Reductions	(65,156)	
Intermezzo	(30,082)	
Laxatives promotional spend reduction	(3,641)	
Elimination of Targiniq spending	(2,106)	
		\$ 5,383
2015 Budget		\$ 283,158



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(\$MM's)

	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	\$ Var 2014 Latest Estimate vs. 2014 Budget	\$ Var 2015 Budget vs. 2013 Actual
G&A Expenses	\$154.4	\$131.6	\$131.3	\$131.1	(\$0.3)	(\$23.3) / (15%)
Approved Headcount	393	324	311	308	(13)	(85) / (22%)

2014 Latest Estimate v	s. 2014 Budget:	
2014 Budget:		\$131.6
Across all departments	Reduced 13 FTEs	(1.2)
License and Business Development	Eliminated fees associated with El Minda project	(1.0)
Corporate Communications	Lower organizational dues and grant programs.	(0.9)
IPAP (Indigent Patient Assistance Program)	Budget assumed program to end Q1 2014. Program is ongoing	1.6
ІТ	Savings for moving to the cloud was delayed	0.5
Human Resources	Leadership development program / VP overlap	0.4
Other	Across all other departments	0.2
2014 Latest Estimate:		\$131.3

2015 Budget Proposa	I vs. 2013 Actual:	
2013 Actual		\$154.4
Reduction of 85 FTEs a	cross all departments	(13.9)
License and Business Development	Increased consultant activity, added 3 FTEs	3.1
Corporate Communications	Reduction in dues, grants and consultant projects	(8.6)
IPAP (Indigent Patient Assistance Program)	Reduced program	(1.7)
Administrative Services	Reduction of mobile devices, duplication, elimination of warehouse lease	(8.0)
Security	Reduced grants, RX Patrol and travel	(0.7)
Quality	Reduced consultants and staff extenders	(0.6)
Other	Reductions taken across all other departments	(0.1)
2015 Budget:		\$131.1



2015 Budget Proposal - Information Technology

(\$MM's)	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	\$ Var 2014 Latest Estimate vs. 2014 Budget	\$ Var 2015 Budget vs. 2013 Actual
People Costs	\$25.0	\$21.2	\$19.8	\$21.9	(\$1.4)	(\$3.1)
Non People Costs	18.3	18.9	20.3	17.6	1.4	(0.7)
Total (includes MFG and R&D)	\$43.3	\$40.1	\$40.1	\$39.4	(\$0.1)	(\$3.8) / (9%)
Approved Headcount	131	105	102	102	0	(29) 1 (22%)

2013 Actual vs. 2015 Budget Proposal	
2013 Actual:	\$43.3
Elimination of 29 positions	(2.7)
Reduced employee benefits	(0.4)
Reduced software maintenance, licenses and hardware support	(1.3)
Increase in consulting and outside services to offset reduction in headcount	1.7
Increase chargeback to Rhodes	(0.6)
Reduced travel/training and hiring costs	(0.2)
All other	(0.3)
2015 Budget Proposal:	\$39.4



Note: Includes total Purdue IT spend, some of which is reflected in the COGS line

Redacted

Redacted

Redacted

2015 Budget Proposal - R&D Expense

				2014	2015	20	15 Budget	Proposal
		2013	2014	Latest	Budget		Vs. 2013 A	Actual
		Actual	Budget	Estimate	Proposal		\$	%
Discovery and Redacted Collaboration		\$ 40.5	\$ 18.3	\$ 13.9	\$ 8.9	\$	(31.6)	-78.1%
Project Development (Targiniq, Hysingla, BUP 2nd Gen)		136.6	103.7	75.3	27.8		(108.8)	-79.6%
ADF (OCI, MS Contin TR, Vicodin)		17.2	35.6	24.4	42.3		25.1	145.3%
Pediatric (ORF, BUP, Hysingla)		35.5	27.3	32.0	16.6		(18.9)	-53.2%
Marketed Products Support (1)		35.1	43.8	33.8	30.7		(4.4)	-12.5%
All Other ⁽²⁾		14.2	(16.1)	2.4	9.2		(5.0)	-35.5%
Medical Affairs ⁽³⁾		17.3	17.4	13.2	13.6		(3.7)	-21.2%
	Total	\$ 296.5	\$ 229.9	\$ 195.0	\$ 149.2	\$	(147.3)	-49.7%
R&D as % of Net Sales	:	 14.5%	15.0%	10.8%	11.6%		-2.9%	NA
FTE Headcount	;	 347	313	188	186		(161)	-46.4%
	:							

Note 1: Marketed Products Support includes spend in Risk Management (2015B = \$15.4 mm), Regulatory (2015B = \$8.5 mm) and Drug Safety (2015B = \$6.4 mm).

Note 2: All Other includes expenses not specifically allocated to projects and Cranbury Occupancy costs. It also includes the Underspend Estimate as follows: 2014B = \$24.5 mm; 2014LE = \$5.0 mm and 2015B = \$3.5 mm.

Note 3: Medical Affairs includes Medical Services (2015B = \$2.5 mm), Medical Education (2015B = \$1.1 mm), Healthcare Education (2015B = \$3.9 mm) and Health Outcomes (2015B = \$5.1 mm).



2015 Budget Proposal - R&D Expense

2014 Budget		\$ 2	229.9
	Increase/ (Decrease)		
MSR - Slower formulation development; higher expected spend in 2015.	\$ (12.0)		
HYD - Reduced Phase 3 clinical spend in 2014 as prior year spend was higher.	(10.7)		
Targiniq - Close down of Pain+ OIC studies.	(18.0)		
OCI - Reduced clinical spend in 2014 as prior year spend was higher.	(3.8)		
ORF - Acceleration of sNDA filing into 2014.	3.2		
HCA - Vicodin ADF and other new initiatives.	4.5		
All Other: Reduction in underspend estimate offset by organizational changes.	1.9		
Subtotal		\$	(34.9)
2014 Latest Estimate		\$ 1	195.0

2013 Actual		\$ 296.5
	Increase/ (Decrease)	
Targiniq - Pain NDA submission in 2013; Closeout of Pain+ OIC studies in 2014.	\$ (77.4)	
HYD - NDA submission in early 2014; offset by startup of PREA in 2015.	(44.3)	
ORF - sNDA submission accelerated into 2014.	(19.3)	
OCI - sNDA submission in 2014.	(13.9)	
Redacted	(17.5)	
MSR - Increase in Phase 1 BE studies based on formulation development in late	21.4	
HCA - Vicodin ADF and other new initiatives.	17.5	
BUP - Increase in develop costs for BE, skin irritation and tech transfer studies.	13.9	
All Other - headcount reductions/restructure in 2014.	(27.7)	
Subtotal	·	\$ (147.3)
2015 Budget Proposal		\$ 149.2



2015 Budget Proposal - P&L

(\$000's)	2013 Actual	2014 Latest Estimate	2015 Budget Proposal	2015 Budget vs. 2014 Latest Estimate
Gross Branded Product Sales	\$2,774,569	\$2,570,884	\$2,031,330	(\$539,554)
Fee for Service	(54,623)	(51,043)	(40,370)	10,673
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Shipping and Warehousing	(10,745)	(9,155)	(7,962)	1,193
Simplify and Wateriousing	(10,7-13)	(3,133)	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1,233
GROSS PROFIT	1,785,975	1,574,577	1,129,573	(445,004)
G&A (incl. Legal Department but excl. Legal Fees)	(154,433)	(131,304)	(131,130)	174
	7.5%	7.3%	10.2%	2.9%
G&A as % of Net Revenues	1.3%	_L	10.2%	
R&D	(296,493)	(195,020)	(149,170)	45,850
R&D Other - Milestone and Alliances	(8,518)	(4,999)	(5,610)	(611)
R&D as % of Net Revenues	14.9%	11.1%	12.0%	1.0%
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S&P as % of Net Revenues	13.6%	14.3%	22.0%	7.7%
Health Care Reform Fee	(29,700)	(33,535)	(17,000)	16,535
Health Care Reform Fee Change in Accounting	(,,	(30,000)	1 (2,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	30,000
Other - US	(4,128)	(17,973)	(15,579)	2,394
OPERATING EXPENSES	(840,443)	(720,370)	(655,647)	64,723
Operating Expenses as % of Net Revenues	41.1%	39.9%	50.9%	11.1%
SG&A as a % of Net Revenues	21.1%	21.5%	32.2%	10.6%
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	945,533	854,207	473,926	(380,281)
Operating margin as % of Net Revenues	46.2%	47.3%	36.8%	-10.5%
Incentive Bonus	(39,638)	(35,751)	(38,797)	(3,046)
Insurance Income	990	200	500	300
Settlement Expense	(41,759)	(695)	0	695
TOTAL INCENTIVES AND SETTLEMENTS	(80,407)	(36,246)	(38,297)	(2,051)
	065.426	247.054	125 520	(202 222)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	865,126	817,961	435,629	(382,332)
Operating margin as % of Net Revenues	42.3%	45.3%	33.8%	-11.4%
Other Items Royalty Income - ex US	48,465	40,088	38,877	(1,211)
		(7,370)	(8.059)	(689)
Royalty Expense - ex US Ex US Expenses	(6,755) (186,198)	(199,090)	(192,393)	6,697
Other ex-US expenses	(15,665)	(16,274)	(17,622)	(1,348)
Gain on Infinity stock	124,581	(16,2/4)	(17,622)	(1,348)
One Time Charges/Other Items	(65,082)	(27,599)	(15,118)	12,481
Interest Income / (Expense), net	199	200	200	12,481
TOTAL OTHER ITEMS	(100,455)	(210,045)	(194,115)	15,930
				_
PROFIT/LOSS BEFORE TAX	\$ 764,671	\$ 607,916	\$ 241,514	\$ (366,402)



2015 Budget vs.

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2015 Budget Proposal

<u>\$MM's</u>

	2014 Latest Estimate	2015 Budget Proposal	Variance Fav / (Unfav)	Footnote
Net Sales	1,807.1	1,287.2		1
-changes due to settlements			(313.0)	
-changes due to other			(206.9)	
Settlement Impact - Gross Profit	(80.5)	(339.1)	(258.6)	2
Operating Expenses - before Hysingla	(720.4)	(547.4)	173.0	3
- Hysingla		(108.2)	(108.2)	
Operating Profit Purdue	818.0	435.6	(382.3)	4
Ex US expense net	(210.0)	(194.1)	15.9	5
Pre-tax profit - after ex-USA	607.9	241.5	(366.4)	6
Tax Distributions	(373.9)	(11.3)	362.6	7
Non tax distributions / available to invest	(288.9)	(200.0)	88.9	8
Cash at year end	757.6	507.3	(250.3)	9



2015 Budget Proposal – Major Opportunities and Risks

	<u>Impact</u> <u>\$MMs</u>	<u>Likelihood</u>
<u>Opportunities</u>		
 Medicaid line extension rebate rule resolved in our favor 	\$265	L
2. Provision for future patent settlements may be too high	\$0 – 126	М
3. Prescription trends improve as a result of commercial excellence initiatives (eg. E2E, R2R, Cover my Meds, co pay optimization etc)	\$25 – 40	M
<u>Risks</u>		
1. Unanticipated managed care pressure	\$25 - 75	М
Redacted		



Conclusion

Strong 2014 Performance

- ✓ Sales \$273 million above budget
- ✓ Expenses \$293 million below 2013
- ✓ Net income \$223 million above budget
- ✓ Hired top talent

Prepared for 2015

- ✓ Continue to stabilize and grow core business
- ✓ Launch Hysingla with optimal support
- ✓ Investing in business development to grow
- ✓ Continuing cost discipline and culture change



2015 Budget Proposal - Back-Up



2015 Budget Proposal - P&L, Balance Sheet and Cash Flows



2015 Budget Proposal - P&L

			2014 Latest		2015 Budget		2015 Budget vs. 2014 Latest
(\$000's)	2013 Actual	H	Estimate		Proposal		Estimate
Gross Branded Product Sales	\$2,774,569		\$2,570,884		\$2,031,330		(\$539,554)
Fee for Service	(54,623)	Ш	(51,043)		(40,370)		10,673
Discounts and Allowances	(27,325)	Ш	(11,435)	(1a.)	(53,674)	(10a.)	(42,239)
Patient Savings Card Discounts	(44,874)	Ш	(41,225)	(1b.)	(37,441)	(10b.)	3,784
Rebates on Branded Sales	(559,600)	П	(640,307)	(1c.)	(610,501)	(10c.)	29,806
Proposed regulation adj for Medicaid rebates	(46,046)	Ш	(27,998)		(21,937)		6,061
Other	4,844	Ш	8,232		19,835	(10d.)	· · · · · · · · · · · · · · · · · · ·
Rebates as % of Gross Branded Product Sales	21.8%		26.0%		31.1%		5.1%
NET REVENUE	2,046,945		1,807,108		1,287,242		(519,866)
Cost of Goods Sold	(138,119)	Ш	(126,240)	(2)	(92,992)	(11)	33,248
COGS as % of Gross Branded Product Sales	5.0%	Ш	4.9%	(2)	4.6%	(11,	-0.3%
Royalty Expense	(112,105)	Ш	(97,136)	(3)	(56,715)	(12)	40,421
Shipping and Warehousing	(10,745)	Ш	(9,155)		(7,962)		1,193
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(,-	Ш	(-,,		, , , , , ,		,
GROSS PROFIT	1,785,975		1,574,577		1,129,573		(445,004)
G&A (incl. Legal Department but excl. Legal Fees)	(154,433)	Ш	(131,304)		(131,130)		174
G&A as % of Net Revenues	7.5%	Ш	7.3%		10.2%		2.9%
	J	IJ	,,,,,,,,,	L	1		1
R&D	(296,493)	Ι'''Ι	(195,020)	(5)	(149,170)	(14)	45,850
R&D Other - Milestone and Alliances	(8,518)	Ш	(4,999)		(5,610)		(611)
R&D as % of Net Revenues	14.9%	Ш	11.1%		12.0%		1.0%
Sales and Promotion	(277,775)	Ш	(257,939)		(283,158)	(15)	(25,219)
S&P as % of Net Revenues	13.6%	Ш	14.3%		22.0%		7.7%
Health Care Reform Fee	(29,700)	Ш	(33,535)		(17,000)	(16)	16,535
Health Care Reform Fee Change in Accounting	0	Ш	(30,000)		0		30,000
Other - US	(4,128)		(17,973)	(7)	(15,579)	(17)	2,394
OPERATING EXPENSES Operating Expenses as % of Net Revenues	(840,443) 41.1%	Н	(720,370) 39.9%		(655,647) 50.9%		64,723 11.1%
Operating Expenses as % of Net Revenues SG&A as a % of Net Revenues	21.1%	Ш	21.5%		32.2%		10.6%
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	945,533	H	854,207		473,926		(380,281)
Operating margin as % of Net Revenues	46.2%		47.3%		36.8%		-10.5%
Incentive Bonus	(39,638)		(35,751)	(8)	(38,797)	(18)	(3,046)
Insurance Income	990	Ш	200		500		300
Settlement Expense	(41,759)	H	(695)		0		695
TOTAL INCENTIVES AND SETTLEMENTS	(80,407)		(36,246)		(38,297)		(2,051)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	865,126		817,961		435,629		(382,332)
Operating margin as % of Net Revenues	42.3%	H	45.3%		33.8%		-11.4%
Other Items		Ш					
Royalty Income - ex US	48,465	H	40,088		38,877		(1,211)
Royalty Expense - ex US	(6,755)	H	(7,370)		(8,059)		(689)
Ex US Expenses	(186,198)	H	(199,090)		(192,393)		6,697
Other ex-US expenses	(15,665) 124,581	H	(16,274)		(17,622)		(1,348)
Gain on Infinity stock One Time Charges/Other Items	(65,082)	H	- (27,599)	19)	(15,118)		12,481
Interest Income / (Expense), net	199	ll	(27,599)	131	200		12,401
TOTAL OTHER ITEMS	(100,455)		(210,045)		(194,115)		15,930
	A						4 (2
PROFIT/LOSS BEFORE TAX	\$ 764,671	ı	\$ 607,916	l	\$ 241,514		\$ (366,402)



See next slide for footnote explanations

2014 P&L Highlights

- Net sales are higher than budget by \$273 mm due to OxyContin (\$261 mm), **Redacted** and Butrans (\$5 mm) sales.
 - Discounts and Allowances are \$33.9 mm favorable to budget due to lower than expected returns which resulted in reducing prior year expense by \$26.0 mm and current year expense by \$13.6 mm.
 - Patient savings card expense is \$3 mm favorable to budget primarily due to change in OxyContin program design reducing the benefit from \$25/\$90 to \$30/70.
 - Rebates are under budget by 0.5% of gross sales due to a reduction in estimated California managed Medicaid rebates.
- Cost of Goods is estimated at 4.9% of gross sales versus budget of 5.3%. The reduction is due to higher Purdue sales and Rhodes Pharmaceuticals and exUSA production volumes in Wilson.
- Royalty expense is \$13.9 mm higher than budget primarily due to delay in finalization of Proposed Medicaid Line Extension Rule until 2015 (these additional rebates are not deductible until rule is final) and higher net sales in 2014.

Redacted

- R&D spending is \$34.9 mm lower than budget largely due to close down of Targinig Pain+ OIC studies (\$18.0 mm), lower costs for 5. Phase 3 studies and NDA submission prep costs for Hysingla (\$10.7 mm), and lower MS Contin TR spend due to formulation delays (\$11.9 mm), partially offset by initiation of Vicodin ADF Project and other new initiatives (\$4.5 mm).
- In October 2014, the IRS re interpreted the 2010 Healthcare Reform Act, now stating that the Health Care Reform fee for a given year was based on the sales to the government for that year. This was contrary to SEC and accounting guidance previously issued which had stated that an accrual was necessary based on the prior year's sales for each year. As a result a one-time catch up accrual of \$30 million was recorded in Q3 2013.
- Other US of \$17.9 mm primarily relates to various consulting to support the strategy including E2E, R2R, Abuse Deterrent Formulation, BD transformation, Finance transformation, executive recruiting and investment banker fees.
- Incentive bonus is projected to be paid out at target in 2014 but based on lower headcount than assumed in budget. Actual 8. expense will be based on performance and Board approval.

Redacted



2015 P&L Highlights

- 10. Net Sales are budgeted to decrease \$520 mm or 29% vs. 2014 due to:
 - OxyContin \$566 mm or -36.1% due to settlements (\$313 mm), Rx volume decline (\$153 mm) in part due to Hysingla ER, higher rebate rates (\$102 mm) and change in strength and tab mix (\$99 mm), but offset in part by 6% price increase (\$109 mm)
 - Butrans +\$18 mm or +14.7% due to Rx volume increase (\$19 mm) as a result of improved formulary coverage and promotional initiatives, 6% price increase (\$20 mm) offset by higher rebates on improved formulary coverage (\$17 mm).
 - Hysingla +\$55 mm (1st year of launch)
 - a. Discounts and Allowances in 2015 are expected to cost \$42 mm more than 2014, on lower sales, due to one-time changes in estimated return rates of \$39.6 mm reflected in 2014LE not repeating in 2015.
 - b. Rebates increase from 26.0% to 31.1% due to anticipated increases necessary to maintain or improve formulary coverage.
 - c. Patient Savings Card Discounts in 2015 are expected to cost \$37 mm, or \$4 million lower than 2014, largely driven by lower sales of OxyContin.
 - d. Other \$14.2 mm of authorized generic transfer price margin in 2015 and royalties related to settlement agreements.
- 11. Cost of Goods is budgeted at 4.6% of gross sales a decrease of 0.3% due to lower overhead spending, a 23.5% decrease in oxycodone API cost and higher Rhodes Pharmaceuticals production volumes in Wilson which improves overhead absorption.
- 12. Royalty expense is budgeted to be lower by \$40 mm due to lower sales and projected unfavorable finalization of Proposed Medicaid Line Extension Rule in 2015 which allows the deduction of rebates for royalties.

Redacted

- 14. R&D is budgeted to be lower by \$73 mm with \$27 mm reinvested in ADF projects which we expect to be commercialized by Rhodes, for a net decline of \$46 mm.
- 15. S&P budgeted to be lower by \$57 mm with \$82 mm reinvested in Hysingla launch, for a net increase of \$25 mm.
- 16. The 2015 Health Care Reform fee is based on Purdue's sales to the government for 2015. The lower fee is due to lower sales and the deduction of the additional rebates related to the finalization of Proposed Medicaid Line Extension Rule in 2015.
- 17. Other US includes \$10 mm President's Reserve and \$5 mm of operating expenses related to the new Treyburn facility.
- 18. Incentive bonus assumes company performance is 100% in 2014 and 2015. Increase of \$3.0 mm is largely due to timing of senior level changes and terminations (\$0.7 mm), 2015 LTRP grants assumed to be funded at 100% (\$0.5 mm) and expected increase in headcount/salaries in 2015 (\$1.8 mm).

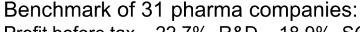


Targiniq & Intermezzo – sales and expenses are not included in the 2015 Budget Proposal.

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2015 Budget Proposal - P&L ratios

	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	
GROSS BRANDED PRODUCT SALES	100%	100%	100%	100%	
Fee for Service	-2.0%	-2.0%	-2.0%	-2.0%	
Discounts and Allowances	-1.0%	-2.0%	-0.4%	-2.6% (1)	
Patient Savings Card Discount	-1.6%	-2.0%	-1.6%	-1.8%	
Rebates on Branded Sales	-20.2%	-25.2%	-24.9%	-30.1% (2)	
Proposed Regulation Adjustment for Medicaid Rebates	-1.7%	-1.3%	-1.1%	-1.1%	
Other	0.2%	0.4%	0.3%	1.0%	Income statement line items as a percent of
NET BRANDED REVENUES	73.8%	67.9%	70.3%	63.4%	gross sales
Cost of Goods Sold	-5.0%	-5.3%	-4.9%	-4.6%	
Royalty Expense	-4.0%	-3.7%	-3.8%	-2.8% (3)	
Shipping and Warehousing	-0.4%	-0.4%	-0.4%	-0.4%	
TOTAL COST OF GOODS SOLD	-9.4%	-9.3%	-9.0%	-7.8%	
GROSS PROFIT	64.4%	58.6%	61.2%	55.6%	
General and Administrative (incl Legal Dept, excl Legal Fees)	-7.5%	-8.6%	-7.3%	-10.2% -	
Research and Development	-14.5%	-15.0%	-10.8%	-11.6%	
Research and Development Other - Milestones and Alliances	-0.4%	-0.3%	-0.3%	-0.4%	
Sales and Promotion	-13.6%	-16.7%	-14.3%	-22.0%	
Health Care Reform Fee	-1.5%	-1.9%	-1.9%	-1.3%	
Health Care Reform Fee Change in Accounting	0.0%	-7.370	-1.7%	-1.376	
Other US	-0.2%	-0.6%	-1.0%	-1.2%	
OPERATING EXPENSES	-41.1%	-45.0%	-39.9%	-50.9% (4)	
OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS	46.2%	41.3%	47.3%	36.8%	
Incentive Bonus	-1.9%	-2.5%	-2.0%	-3.0%	
Insurance Income	0.0%	0.1%	0.0%	0.0%	Income statement line
Settlement Expense	-2.0%	0.0%	0.0%	0.0%	items as a percent of
TOTAL INCENTIVES AND SETTLEMENTS	-3.9%	-2.5%	-2.0%	-3.0%	net sales
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	42.3%	38.8%	45.3%	33.8% (5)	
Royalty Income - ex US	2.4%	2.5%	2.2%	3.0%	
Royalty Expenses - ex US	-0.3%				
Ex US Expenses	-9.1%	-13.0%	-11.0%	-14.9%	
Other ex-US expenses	-0.8%	-0.7%	-0.9%	-1.4%	
One Time Charges / Other Items	6.1%	0.0%	0.0%	0.0%	
Gain on Infinity stock	-3.2%	-1.0%	-1.5%	-1.2%	
Interest Income (Expense), net	0.0%	0.0%	0.0%	0.0%	
TOTAL OTHER ITEMS	-4.9%	-12.2%	-11.2%	-14.5%	
PROFIT BEFORE TAX	37.4%	26.2%	33.6%	18.8%	J



Profit before tax – 22.7%, R&D – 18.9%, SG&A (includes legal fees and HCRF) – 29.9%)

See next page for footnote explanations

31

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PURDUE

2015 Budget Proposal - P&L Ratios Highlights

- 1. Higher due to a 2014 return accrual reversal not repeating in 2015 (2.2%).
- 2. Combined rebates higher in 2015 due to anticipated increases necessary to maintain or improve formulary coverage (5.2%).
- 3. Royalty expense lower due to projection that Proposed Rule is finalized unfavorable to Purdue in 2015 which allows the deduction of rebates for royalties (1.0%).
- 4. The 11% increase in operating expense from 2014 to 2015 is due to:
 - a) \$108.2 mm or 8.4% for Hysingla launch
 - b) 42 mm or 3.2% reinvested in ADF projects
 - c) Remaining operating expenses will be flat as a percent of net sales despite the AG shift from 2014 to 2015. Operating expenses managed to at least offset merit increases and inflation.
- 5. Operating margin has decreased from 42.3% in 2013 to 33.8% in 2015. If the impact of Hysingla launch support spend and the shift in AG sales shift which adversely impacts 2015 is removed, operating margin would be 43.5% of net sales.



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2015 Budget Proposa	1 - Cas	h Flow
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5-1-5-1-5-1-5-1-5-1-5-1-5-1-5-1-5-1-5-1				2014	2015
	2012	2013	2014	Latest	Budget
(\$ MM's)	Actual	Actual	Budget	Estimate	Proposal
Operating activities					
Net income	1,008.3 \$	762.7 \$	409.2 \$	603.3 \$	238.2
Adjustments to reconcile net income to net					
cash provided by operating activities:					
Depreciation and amortization	29.1	31.5	33.2	37.6	32.9
Impairment of intangible asset	20.0	50.5	0.0	0.0	0.0
Deferred income taxes	(2.6)	1.3	0.0	(1.0)	5.8
Loss on unconsolidated, associated companies	101.0	183.8	187.9	182.5	174.7
Distribution and gain on Infinity Stock	0.0	92.1	0.0	0.0	0.0
Changes to working capital	88.6	101.2	(350.5)	(8.4)	(286.5)
Long-term assets and liabilities	(2.0)	22.7	9.0	4.7	2.6
Total cash provided by operating activities	1,242.4	1,245.7	288.7	818.8	167.8
Investing activities					
Capital expenditures	(30.5)	(27.7)	(61.0)	(55.0)	(36.0)
Purchase of product marketing rights and other intangibles	(30.0)	0.0	(8.1)	(8.1)	0.0
Restricted cash, net	17.3	3.6	16.9	12.6	6.8
Investments in associated companies, net	(89.1)	(212.8)	(188.1)	(185.0)	(178.1)
Acquisition of Infinity common stock	(27.5)	0.0	0.0	0.0	0.0
Total cash used in investing activities	(159.7)	(237.0)	(240.2)	(235.5)	(207.3)
Financing activities					
Payments (to) from associates, net	(2.7)	6.5	0.0	4.9	0.5
Capital contributions	0.0	0.9	0.0	0.0	0.0
Distributions to partners for required tax payments	(459.2)	(399.1)	(120.2)	(373.9)	(11.3)
Available for Distributions or Investments	(471.6)	(540.6)	(331.9)	(288.9)	(200.0)
Total cash used in financing activities	(933.6)	(932.2)	(452.1)	(657.9)	(210.8)
Increase in cash and cash equivalents	149.1	76.6	(403.6)	(74.6)	(250.3)
Cash and cash equivalents:					
Unrestricted cash at the beginning of the period	606.5	755.6	836.0	832.2	757.6
Unrestricted cash at the end of the period\$	755.6 \$	832.2 \$	432.4 \$	757.6 \$	507.3

See next slide for explanations of footnotes.

33

2014

2015 Budget Proposal - Cash Flow Highlights

- The P&L impact of investments in Europe, Japan, Latin America and Asia Pacific is added back (\$174.7) mm) and the cash funding of Europe (\$41 mm), Japan (\$25 mm), and Asia and Latin America (\$113 mm) totaling \$178.1 mm is shown as a cash outflow. The difference represents share of Germany income recognized in P&L with no associated cash funding.
- Change in working capital primarily due to reduction in rebate accruals (due to generic settlements reducing year 2015 brand demand and rebates thereon) and rebates for CMS rule of \$238 mm which are assumed in this budget to be paid in 2015-H2.
- Total 2015 capital expenditures of \$36 mm assumes \$26 mm related to the new manufacturing facility.
- For 2014 and 2015, the federal statutory withholding tax rate applied to taxable income is 43.4% (comprising a federal income tax rate of 39.6% and a Medicare tax rate on net investment income of 3.8%). 50% of partnership taxable income is distributed to various taxing authorities for the benefit of the owners (either directly or indirectly) after considering book tax differences:

		2015 Budget Proposal		
Book Net Income	\$ 603,242	\$ 238,184		
Federal Tax Provision on Corporations	4,674	3,330		
Health Care Reform Fee	63,535	17,000		
Meals & Entertainment	6,442	6,442		
Political Contributions	2,585	2,585		
Book depreciation in excess of tax depreciation	13,466	14,047		
Book pension expense in excess of tax deductible plan contributions	(550)	(574)		
Post-retirement medical benefits expense in excess of tax deductible payments	3,906	1,498		
Foreign book losses in excess of tax deductible losses	80,134	87,822		
Qualified Settlement Trust reversionary taxable income	16,932	-		
Settlements paid in excess of settlement expense	(22)	(60,478)		
Tax write-off of Transcept Milestone Payments	(3,000)	(36,972)		
CMS Medicaid Ruling Accrual	13,998	(229,322)		
All other (tax deductible milestones, decreases in sales return and wholesaler reserves, etc.)	(106,169)	(32,122)		
Partnership taxable income	\$ 699,173	\$ 11,440		

- Redacted equity covenant is at \$350 mm. 5.
- Purdue maintains cash of ~ \$400-500 mm (three months of net sales in 2015.)



2015 Budget Proposal - P&L – 2006 to 2015

(\$000's)	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal
Gross Branded Product Sales	\$1,285,214	\$755,663	\$1,194,988	\$2,559,475	\$3,012,143	\$3,127,873	\$2,971,161	\$3,004,905	\$2,774,569	\$2,258,777	\$2,570,884	\$2,031,330
Fee for Service Discounts and Allowances	(1,755) (21,485)	(10,742) (13,286)	(24,970) (41,841)	(38,987) (78,774)	(65,645) (66,133)	(79,237) (48,792)	(74,507) (56,222)	(69,313) (134,032)	(54,623) (27,325)	(44,444) (45,300)	(51,043) (11,435)	(40,370) (53,674)
Patient Savings Card Discounts Rebates on Branded Sales	- (220,581)	- (46,464)	- (148,693)	(13,444) (342,153)	(17,131) (455,092)	(15,691) (621,633)	(15,572) (545,891)	(25,104) (517,606)	(44,874) (559,600)	(44.134) (570.095)	(41,225) (640,307)	(37,441) (610,501)
Proposed regulation adjustment for Medicaid rebates (2) Other Rebates as % of Gross Branded Product Sales	99,760 17.2%	149,985 6.1%	80,141 12,4%	18,128 13.4%	37,244 15,1%	(40,041) 27,611 21,2%	(68,854) 12,380 20,7%	(60,383) 2,455 19.2%	(46,046) 4,844 21.8%	(28,477) 8,027 26.5%	(27,998) 8,232 26.0%	(21,937) 19,835 31,1%
NET REVENUES	1,141,153	835,156	1,059,625	2,104,245	2,445,386	2,350,090	2,222,495	2,200,922	2,046,945	1,534,354	1,807,108	1,287,242
Cost of Goods Sold COGS as % of Gross Branded Product Sales	(124,267) 9.7%	(92,985) 12.3%	(101,603) 8.5%	(150,545) 5.9%	(167,182) 5.6%	(161,090) 5.2%	(166,870) 5.6%	(148,475) 4.9%	(138,119) 5.0%	(119,183) 5.3%	(126,240) 4.9%	(92,992) 4.6%
Royalty Expense Shipping and Warehousing	(1,508) (8,720)	69 (8,097)	(4,303) (8,411)	(2,414) (10,255)	(10,486) (10,927)	(53,342) (11,182)	(115,272) (11,831)	(120,268) (11,814)	(112,105) (10,745)	(83.262) (8,307)	(97,136) (9,155)	(56,715) (7,962)
GROSS PROFIT	1,006,658	734,143	945,308	1,941,031	2,256,791	2,124,476	1,928,522	1,920,365	1,785,975	1,323,603	1,574,577	1,129,573
G&A (incl. Legal Department but excl. Legal Fees)	(137,507) 12.0%	(108,306) 13.0%	(114,136) 11.7%	(125,141) 6.0%	(129,385) 5.4%		(144,255) 6.5%	(151,635) 6.9%	(154,433) 7.5%	(131,579) 8.6%	(131,304) 7.3%	(131,130) 10.2%
												1
Research and Development R&D Other - Milestone and Alliances (1)	(175,046)	(65,031) -	(107,450) (4,534)	(120,449) (7,716)	(132,623) (60,628)	(164,784) (8,899)	(269,937) (604)	(312,513) (2,284)	(296,493) (8,518)	(229,946) (5,181)	(195,020) (4,999)	(149,170) (5,610)
R&D as % of Net Revenues Abbott Commission Sales and Promotion	15.3% (67,423) (117,803)	7.8% (35,112) (72,109)	10.1% - (116,071)	5.7% - (135.555)	5.4% - (156.686)	7.0% - (194.735)	12.1% - (229.317)	14.2% - (303.110)	14.9% (277.775)	15.3% (256.630)	(257,939)	(283,158)
S&P as % of Net Revenues Health Care Reform Fee	10.3%	8.6%	11.9%	6.5%	6.5%	8.3%	10.3% (26,543)	13.8% (31,251)	13.6% (29,700)	16.7% (28,791)	14.3% (33,535)	22.0% (17,000)
Other - US	(2,395)	(9,522)	(7,320)	(15,457)	(10,561)	16,544	(3,055)	(17,641)	(4,128)	(8.746)	(17,973)	(15,579)
OPERATING EXPENSES Operating Expenses as % of Net Revenues	(627,124) 55.0%	(380,442) 45.6%	(413,859) 42.3%	(482,327) 23.1%	(555,393) 23.1%	(540,272) 23.0%	(713,622) 32.1%	(867,577) 39.4%	(840,443) 41.1%	(690,198) 45.0%	(690,370) 39.9%	(655,647) 50.9%
SG&A as a % of Net Revenues	22.4%	21.6%	21.7%	12.4%	11.7%	14.2%	16.8%	20.7%	21.1%	25.3%	21.5%	32.2%
Rhodes	(297)	(2,189)	-	-	-	-	-	-				
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	379,237	351,512	531,449	1,458,704	1,701,398	1,584,203	1,214,900	1,052,788	945,532	633,405	884,207	473,926
Operating margin as % of Net Revenues	33.2%	42.1%	50.2%	69.3%	69.6%	67.4%	54.7%	47.8%	46.2%	41.3%	47.3%	36.8%
Incentive Bonus	(21,759)	(29,589) 184,548	(42,554)	(30,771)	(33,203)		(33,054)	(34,285)	(39,638) 990	(38,908) 850	(35,751) 200	(38,797)
Insurance Income Settlement Expense	90,000	(591,443)	33,820 (1,930)	11,714 (44,859)	8,768 (40,419)	15,863 (17,435)	30,639 (6,773)	3,520 (14,247)	(41,759)	0	(695)	500
TOTAL INCENTIVES AND SETTLEMENTS	(31,759)	(436,484)	(10,664)	(63,916)	(64,854)	(40,316)	(9,188)	(45,012)	(80,407)	(38,058)	(36,246)	(38,297)
OPERATING PROFIT MARGIN	347,478	(84,972)	520,785	1,394,788	1,636,544	1,543,888	1,205,712	1,007,776	865,125	595.347	847,961	435,629
Operating profit margin as % of Net Revenues	30.4%	-10.2%	49.1%	66.3%	66.9%	65.7%	54.3%	45.8%	42.3%	38.8%	45.3%	33.8%
Other Items Royalty Income - ex US Royalty Expense - ex US	44,286	59,490	65,023	71,469	76,137	84,789	91,367	83,961	48,465 (6,755)	39.031 (6.450)	40,088 (7,370)	38,877 (8,059)
Ex US Expenses Other ex-US expenses	(42,256)	(15,681) -	(6,846)	(125,993) -	(122,406)	(132,648)	(129,506) (19,624)	(65,063) (15,026)	(186,198) (15,665)	(199,275) (11,007)	(199,090) (16,274)	(192,393) (17,622)
One Time Charges/Other Items Gain on Infinity stock	(216,757) -	(496) -	(2,024)	(2,213) -	776 -	(24,477)	(2,482)	(2,146)	124,581 (65,082)	(16,092)	(27,599)	(15,118)
Interest Income, net	2,714	24,526	33,414	15,640	969	535	356	1,354	199	200	200	200
TOTAL OTHER ITEMS	(212,013)	67,839	89,567	(41,097)	(44,524)	(71,801)	(59,889)	3,080	(100,455)	(193,593)	(210,045)	(194,115)
PROFIT/LOSS BEFORE TAX	\$135,465	(\$17,133)	\$610,352	\$1,353,691	\$1,592,020	\$1,472,087	\$1,145,823	\$1,010,856	764,670	401,754	637,916	241,514

PURDUE

TREAT SUB PGT217-00 249 VE ORDER 2015 Budget Proposal - P&L Ratios Compared to Other Pharma Companies

Annual Data			As % of Net Sales	
		Pretax Profit		
		(before ex-US)	R&D	(1) SG&A
Purdue US	2013A	37.4%	14.9%	26.2%
	2014LE	33.6%	11.1%	28.8%
	2015B	18.8%	12.0%	38.9%
Endo	2013	-21.4%	5.4%	32.5%
Allergan	2013	27.5%	16.5%	40.0%
Forest	2013/4	-1.4%	30.8%	49.8%
AbbVie	2013	28.4%	17.0%	28.5%
Pfizer	2013	30.5%	12.9%	27.8%
Eli Lilly	2013	25.5%	23.9%	30.8%
AstraZeneca	2013	12.7%	18.8%	48.7%
1&1	2013	21.7%	11.5%	30.6%
Peers (31) Median	2013	22.7%	18.9%	29.9%



(1) Includes Legal fees and Health Care Reform Fee.

-19-23649-ohlm-Dac-2249-13-o-Filad-01/11/21---Entored-01/11/21-23:08:07---Exhibit 13-

2015 Budget Proposal - Balance Sheet

755.6 \$ 187.1 31.8 3.0 50.6 22.1 23.9	832.2 134.5 27.3 12.3 57.6	\$	2014 Budget 432.4 \$ 92.3	T57.6 \$ 138.3	Budget Proposal 507.3	
755.6 \$ 187.1 31.8 3.0 50.6 22.1	832.2 134.5 27.3 12.3	\$	432.4 \$ 92.3	757.6 \$	•	-
187.1 31.8 3.0 50.6 22.1	134.5 27.3 12.3	\$	92.3		507.3	
187.1 31.8 3.0 50.6 22.1	134.5 27.3 12.3	\$	92.3		507.3	
187.1 31.8 3.0 50.6 22.1	134.5 27.3 12.3	\$	92.3		507.3	
31.8 3.0 50.6 22.1	27.3 12.3			138.3		
3.0 50.6 22.1	12.3		16.0		103.8	
50.6 22.1			16.2	22.8	22.6	[3]
22.1	57.6		12.0	13.7	13.3	
			45.3	50.0	34.4	
	19.8		19.8	22.7	19.7	
	16.8		0.0	7.9	0.0	
1,074.2	1,100.4		618.0	1,013.0	701.0	
149 5	152 5		191.8	177 2	189 1	4
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71.2 \$	90.4	\$	69.5 \$	85.4 \$	69.2	[5]
694.7	738.0		315.2	735.1	411.4	1
12.4	14.1		14.3	14.3	14.3	_
778.3	842.5		399.1	834.8	494.9	
230.2	166.3		193.1	184.2	180.7	7
1,008.5	1,008.8		592.1	1,019.0	675.5	
0.0	0.0		0.0	0.0	0.0	
2.0	2.0		2.0	2.0	2.0	
			(1.0)		(1.0)	(T)
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			571.2			_
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1,680.3 \$	1,492.4	\$	1,092.1 \$	1,430.1 \$	1,118.0	
	694.7 12.4 778.3 230.2 1,008.5 0.0 2.0 (1.0) (139.9) 97.5 713.2 671.7	7.9 36.9 3.0 2.8 17.2 20.8 23.4 23.4 173.2 115.9 22.5 21.2 189.5 0.0 19.8 18.5 1,680.3 \$ 1,492.4 71.2 \$ 90.4 694.7 738.0 12.4 14.1 778.3 842.5 230.2 166.3 1,008.5 1,008.8 0.0 0.0 2.0 2.0 (1.0) (1.0) (139.9) (54.6) 97.5 0.0 713.2 537.2 671.7 483.6	7.9 36.9 3.0 2.8 17.2 20.8 23.4 23.4 173.2 115.9 22.5 21.2 189.5 0.0 19.8 18.5 1,680.3 \$ 1,492.4 \$ 71.2 \$ 90.4 \$ 694.7 738.0 12.4 14.1 778.3 842.5 230.2 166.3 1,008.5 1,008.8 0.0 0.0 2.0 2.0 (1.0) (1.0) (139.9) (54.6) 97.5 0.0 713.2 537.2 671.7 483.6	7.9 36.9 28.1 3.0 2.8 3.0 17.2 20.8 21.1 23.4 23.4 23.4 173.2 115.9 167.6 22.5 21.2 19.7 189.5 0.0 0.0 19.8 18.5 19.5 1,680.3 1,492.4 \$ 1,092.1 71.2 \$ 90.4 \$ 69.5 \$ 694.7 738.0 315.2 12.4 14.1 14.3 778.3 842.5 399.1 399	7.9 36.9 28.1 39.4 3.0 2.8 3.0 2.5 17.2 20.8 21.1 17.0 23.4 23.4 23.4 23.4 173.2 115.9 167.6 116.8 22.5 21.2 19.7 21.4 189.5 0.0 0.0 0.0 19.8 18.5 19.5 19.5 1,680.3 1,492.4 \$ 1,092.1 \$ 1,430.1 \$ 71.2 \$ 90.4 \$ 69.5 \$ 85.4 \$ 694.7 738.0 315.2 735.1 1 12.4 14.1 14.3 14.3 14.3 778.3 842.5 399.1 834.8 230.2 166.3 193.1 184.2 1,008.5 1,008.8 592.1 1,019.0 0.0 0.0 0.0 0.0 2.0 2.0 2.0 2.0 (1.0) (1.0) (1.0) (1.0) (139.9) (54.6) (72.2) (67.6) 97.5 <	7.9 36.9 28.1 39.4 42.8 3.0 2.8 3.0 2.5 2.3 17.2 20.8 21.1 17.0 18.1 23.4 23.4 23.4 23.4 23.4 173.2 115.9 167.6 116.8 108.0 22.5 21.2 19.7 21.4 19.7 189.5 0.0 0.0 0.0 0.0 19.8 18.5 19.5 19.5 13.6 1,680.3 1,492.4 \$ 1,092.1 \$ 1,430.1 \$ 1,118.0 71.2 \$ 90.4 \$ 69.5 \$ 85.4 \$ 69.2 694.7 738.0 315.2 735.1 411.4 12.4 14.1 14.3 14.3 14.3 778.3 842.5 399.1 834.8 494.9 230.2 166.3 193.1 184.2 180.7 1,008.5 1,008.8 592.1 1,019.0 675.5 0.0 0.0 0.0 0.0 0.0 2.0 2.0 2.0 2.0

2014

2015 Budget Proposal – Balance Sheet Highlights

(1) CMS Medicaid rebate rules for line extensions are now projected to be finalized unfavorable to Purdue and paid in 2015 (vs. 2014 as assumed in 2014 Budget) with additional rebates paid of \$220 mm in 2015-H2. This results in higher accruals and cash in the 2014 Latest Estimate and lower accruals and cash in 2015. Other decreases in accruals in 2015 are due to lower Medicaid, Tricare, and Coverage rebates as a result of lower OxyContin sales (\$50 mm) Redacted

Redacted

(2) Restricted cash represents the following:

2014 2015

Redacted



2015 Budget Proposal - Balance Sheet Highlights

- (3) Accounts receivable and inventory decreases are due to lower sales.
- (4) The 2015 budget assumes \$36 mm of capital expenditures, of which \$26 mm relates to the new facility.
- (5) Accounts payable: The 2014LE increase is due to Targiniq shut down costs accrued in 2014. The 2015 budget decrease is due to completion of larger projects such as Targiniq and Hysingla in 2014.
- (6) All shares of Infinity stock were distributed in 2013.
- (7) Other long term liabilities comprise accruals for pension and other post retirement obligations (\$153 mm), and LTRP (\$11 mm). The accruals for pension and other post retirement obligations are recorded at net present value using end of year discount rates, and include other assumptions around life expectancy, annual compensation or medical cost increases and return on pension plan assets. Accumulated other comprehensive loss represents that amount of these accruals that has not been recognized as expense in the P&L.
- (8) Bank Group and Internal Reporting Group equity are projected to be \$661 mm and \$442 mm at 12/31/2015, respectively. The difference represents ex- US investments that are held outside of the bank group but within internal reporting.



2015 Budget Proposal – Variance vs. 10-Year Forecast

\$MMs

	2015	10-Year	Variand	e		
	Budget	Forecast	\$	%		
Gross Sales	2,031	1,967	64	3%	1.	OxyContin \$85 mm,
Net Sales	1,287	1,129	158	14% 1	2. 3.	Butrans \$17 mm and
Gross Profit	1,130	967	163	17%		
Operating Expenses	656	578	78	13% 2	1. 2.	, , , , , , , , , , , , , , , , , , , ,
Pre-tax Profits	242	157	85	54%	3	capabilities and new promotional initiatives Higher R&D of \$11 mm largely due to
Unrestricted Cash	507	374	133	36%	0.	Hysingla.
Shareholders' Equity	443	425	18	4%		
Non-tax Distributions / Available for Investments	200	141	59	42%		



2015 Budget Proposal -Net Sales



2015 Budget Proposal – Gross to Net Sales by Brand

Expressed in 000's

OXYCONTIN Gross Branded Product Sales Fee for Service Discounts and Other Allowances Patient Savings Card Discounts Rebates on Branded Sales Proposed Regulation Adjustment for	r Medicaid Rebates	20 \$	2,525,577 (50,637) (17,828) (34,719) (538,771) (46,046)	014 Latest Estimate 2,281,545 (46,297) (24,120) (30,017) (590,422) (27,998)	15 Budget Proposal 1,620,442 (33,265) (36,730) (21,130) (520,751) (21,937)	201 \$	6 Forecast 1,600,143 (32,817) (37,172) (19,975) (590,574) (19,959)
Other			0	3,882	14,241		15,033
OXYCONTIN NET SALES		\$	1,837,576	\$ 1,566,573	\$ 1,000,870	\$	914,679
Re	ebates as % of Gross Sales		23.2%	27.1%	33.5%		38.2%
BUTRANS							
Gross Branded Product Sales		\$	147,410	\$ 192,480	\$ 242,800	\$	264,100
Fee for Service			(3,091)	(3,811)	(5,014)		(5,448)
Discounts and Other Allowances			(12,999)	9,911	(7,589)		(3,032)
Patient Savings Card Discounts			(8,776)	(10,403)	(10,905)		(11,198)
Rebates on Branded Sales			(18,889)	 (47,885)	 (78,794)		(88,221)
BUTRANS NET SALES		\$	103,655	\$ 140,292	\$ 140,498	\$	156,201
Re	ebates as % of Gross Sales		12.8%	24.9%	32.5%		33.4%
HYSINGLA							
Gross Branded Product Sales					\$ 77,207	\$	191,882
Fee for Service					(1,544)		(3,838)
Discounts and Other Allowances					(6,303)		(9,594)
Patient Savings Card Discounts					(5,404)		(9,902)
Rebates on Branded Sales					 (8,956)		(36,720)
HYSINGLA NET SALES					\$ 55,000		131,828
Re	ebates as % of Gross Sales				11.6%		19.1%
All Other NET SALES			105,714	100,243	90,875		93,365
TOTAL NET SALES		\$	2,046,945	\$ 1,807,108	\$ 1,287,243	\$	1,296,074



2015 Budget Proposal – OxyContin Price Per Rx

Total Retail Demand \$ (Gross)	5	2010 3,038,334,979	5	2011 2,809,206,991	5	2012 2,573,305,987	5	2013 2,463,706,772	5	2014 Nov. LE 2,369,436,562	S	2015 (1) 2,100,650,429
WAC per TRx	\$	454.40	5	434.00	\$	440.52	\$	437.23	5	440.38	\$	441.27
Net Sales as % of Gross (Excluding Other Income)		73.5%		73.0%		72.3%		72.8%		68.5%		60.9%
Total Retail Demand \$ (Net)	\$	2,234,391,757	5	2,051,475,581	\$	1,859,465,863	5	1,792,560,775	5	1,622,890,656	\$	1,279,010,148
Net WAC per TRx	\$	334.16	5	316.94	5	318.32	5	318.12	5	301.63	5	268.67 (2)

⁽¹⁾ Does not reflect final TRx numbers, but for purposes of this analysis 2015 assumes that additional gross sales increase has the same mix by strength.



⁽²⁾ Decrease in Net WAC per TRx is primarily driven by higher blended rebate rates of 6.4%

2015 Budget Proposal - Net Sales – 2010 to 2015 OxyContin Price/Volume Roll forward

(\$MM's)

Opening Net Sales

OxyContin Volume and Mix OxyContin List Price OxyContin Other Price

All Other Products

Ending Net Sales

2	2010 vs. 2011		2011 vs. 2012		2012 vs. 2013		2013 vs. 2014 Latest Estimate		2014 Latest Estimate vs. 2015 Budget	
\$	2,350.1	\$	2,222.5	\$	2,200.9	\$	2,046.9	\$	1,807.1	
	(336.9)		(164.2)		(192.2)		(285.7)		(530.1)	
	147.1		103.2		103.9		104.8		68.1	
	3.6		36.8		(80.9)		(90.1)		(103.7)	Note 1
	58.6		2.6		15.1		31.1		45.8	
\$	2,222.5	\$	2,200.9	\$	2,046.9	\$	1,807.1	\$	1,287.2	

Note 1 - Variance in OxyContin Other Price primarily driven by Rebate Rate (Positive variance from 2011 to 2012 Actual primarily driven by reversal in 2012 for over-accruals for rebates and coverage gap expense in 2011).



2015 Budget Proposal -Headcount



2015 Budget Proposal - Headcount Summary

	2013 Approved	2015 Budget Proposal	2015 v:	s. 2013
G&A	393	308	(85)	-22%
S&P	752	728	(24)	-3%
R&D	347	186	(161)	-46%
Tech Ops-COGS	275	250	(25)	-9%
Tech Ops-Durham	-	32	32	
TOTAL	1,767	1,504	(263)	-15%



2015 Budget Proposal - G&A Headcount

		2013	2014	2015 Budget	HDC Change	'13 to '15	
G&A:	V.P.	Approved	Approved	Proposal	#	\$	_
Finance/Procurement	Ed Mahony	81	61	59	(22)	-27%	
IT	Larry Pickett	102	75	75	(27)	-26%	
HR, Corp EHS, Admin Services	Susie Robinson	64	52	52	(12)	-19%	
Law	Phil Strassburger	44	34	34	(10)	-23%	
Corporate Communications	Raul Damas	31	31	30	(1)	-3%	(1)
L&BD	Brian Meltzer	7	8	10	3	43%	
Compliance	Bert Weinstein	12	10	10	(2)	-17%	
Corporate Security	Mark Geraci	15	11	11	(4)	-27%	
Corporate Quality	David Lundie	34	30	30	(4)	-12%	
Executive Admin		2	3	1	(1)	-50%	
Total G&A (2)		392	315	312	(80)	-20%	

Note:

- (1) Corporate Communications headcount (all years) reflects headcount reclass from R&D due to the re-organization of that group.
- (2) Does not include President's Reserve.



2015 Budget Proposal - R&D Headcount

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Discovery Research Nonclinical Cranbury Occupancy Medical Research R&D Innovations Outsource Management Project Management Risk Management Regulatory **Drug Safety**

Total R&D Group

		Headcount		
2013 Approved	2014 Approved	2014 Latest Estimate	2015 Budget Proposal	2015 vs 2014 LE
53	47	7	10	3
55	50	35	35	-
15	13	8	8	-
77	71	44	45	1
3	-	-	-	-
7	7	3	3	-
20	17	9	8	(1)
14	14	11	11	-
27	25	16	15	(1)
39	31	21	15	(6)
310	275	154	150	(4)
			•	·

Headcount	Change
2013 vs.	2015
#	%
(43)	-81%
(20)	-36%
(7)	-47%
(32)	-42%
(3)	-100%
(4)	-57%
(12)	-60%
(3)	-21%
(12)	-44%
(24)	-62%
(160)	-52%

Medical Affairs Group:

Medical Affairs H.O.P.E. **Medical Services** Library Medical Education **HC Education**

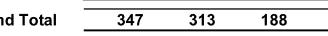
Health Policy

Total Medical Affairs Group

347	313	188	186	(2)
37	38	34	36	2
-	-	-	-	-
12	11	12	14	2
3	2	1	2	1
_	_			_
13	13	12	12	_
5	9	6	6	-
4	3	3	2	(1)

(1)	-3%
(1)	-33%
2	17%
(2)	-50%
1	20%
(1)	-8%

Grand Total





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2015 Budget Proposal Paradeount

Net Reduction of 11 Headcount, 28-person Reduction Balanced by Building New Capabilities

New Capabilities	
Institutional Sales	2
Managed Care/Operations ²	9
Marketing – Hysingla ER³	4
Licensing and Business Development	2
Total	17

Developing a Lean Operating S	tructure
Pricing and Contracting ⁴	(9)
Sales Force ⁵	(13)
Marketing ⁶	(1)
Operations	(4)
Pharmacy and Distribution	(1)
Total	(28)

2014Budget ¹	_	New Capabilities		Developing a Lean Operating Structure	2015 Budget Proposal
739		17		(28)	728

Note: 1) Includes 6 budgeted heads transferred from Finance 2) 6 Managed Care marketers, VP of Marketing and Managed Markets (Ogle), Head of Operations (Bujnoski), Executive Director of Managed Markets (Kadatskaya) 3) Executive Director of Marketing (Xu) and 3 Product Managers 4) Outsourcing and R2R initiatives 5) 6 Territories, 1 District, 6 reductions TBD targeted for July 1, 2015; 6) Eliminate Executive Director position



2015 Budget Proposal – Tech Ops Headcount

	2013	2014	2014	2015 Budget	Headcount (2013 vs. 2	•
	Approved	Approved	Estimate	Proposal	#	<u>%</u>
Totowa	18	5	5	-	(18)	-100%
Supply Chain	55	47	45	41	(14)	-25%
Wilson (1)	202	194	206	209	7	3%
Subtotal	275	246	256	250	(25)	-9%
Durham	-	10	10	32	32	
Tech Ops Total	275	256	266	282	7	3%

Note: (1) 2014 Estimate includes 12 Board approved additions due to increase in Rhodes volume.

(2) Headcount (Totowa, Supply Chain and Wilson) down 25 or 10% since 2013 while experiencing higher tablet volumes (+34%) and increased complexity with more product SKU's (+116%) and Ex US territories (+147%) being supported by Technical Operations.



2015 Budget Proposal Cost Centers



2015 Budget Proposal - Corporate Affairs

					Vari	ance
-	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	(2014 LE vs 2014 Budget)	(2015 Budget vs 2013 Actual)
Public Affairs	\$6.5	\$5.3	\$4.9	\$4.8	(\$0.4)	(\$1.6)
State Government Affairs	9.8	8.1	3.4	3.6	(4.7)	(6.2)
Patient and Professional Relations	-	-	4.2	3.5	4.2	3.5
Federal Government Affairs	3.5	3.4	3.5	1.1	0.1	(2.4)
Pharma Fund	1.3	0.8	0.8	0.4	-	(0.9)
Health Policy	1.8	1.5	1.5	2.0	-	0.1
Business Intelligence & Scientific Information	3.6	3.2	3.2	2.2	(0.0)	(1.4)
Total Corporate Affairs	\$26.6	\$22.3	\$21.4	\$17.6	(\$0.9)	(\$9.0)
Approved FTE Headcount	33	31	31	30	-	(3)

2014 Latest Estimate		\$21.4
		(0.9)
C.1.5.	U	
Other	0.1	
Reduce Public Affairs grants and programs	(0.5)	
Reduce organizational dues and grants	(0.6)	
2014 Budget		\$22.3
2014 Latest Estimate vs. 2014 Budget		

2015 Budget vs. 2013 Actual		
2013 Actual		\$26.6
Move PhRMA dues to President	(2.4)	
Reduce Organizational Dues and Grants	(2.7)	
Reduced Consulting/Outside Services	(2.3)	
Reduce Community grants	(0.9)	
Eliminate/transfer BIO annual dues	(0.3)	
Library - reduce subscription services	(0.5)	
People costs	0.3	
		(9.0)
2015 Budget Proposal		\$17.6



Redacted

2015 Budget Proposal - R&D Expense

(\$M	М	s
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	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Budget Proposal	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2015-2023 Total
Butrans:													
BUP - Existing Strengths	\$ 8.8		•		\$ 6.0	\$ -	\$ - \$	5 - \$	-	\$ -	\$ -	\$ -	\$ 13.1
BUP - Add'l Strengths	4.3	1.4	1.4	0.1	0.1	-	-	-	-	-	-	-	0.1
BUP - 2G	1.0	6.1	6.1	20.8	3.8	0.1	-	_	-	_	_		24.7
Total	14.1	15.9	16.5	28.0	9.9	0.1	-	-	-	-	-	-	38.0
HYD (1)	58.6	41.2	30.5	14.3	8.4	6.8	0.1	-	-	-	-	-	29.6
Targiniq (2)	78.1	60.2	42.2	0.7	-	-	-	-	-	-	-	-	0.7
Oxy ADIR (OCI) (3)	15.7	14.3	10.5	1.8	-	-	-	-	-	-	-	-	1.8
Oxycontin	23.9	19.4	22.6	4.6	1.8	-	-	-	-	-	-	-	6.5
Redacted	3.9	0.3	2.0	3.5	-	-	-	-	-	-	-	-	3.5
	12.8	2.0	2.3	0.1	-	-	-	-	-	-	-	-	0.1
	4.4	5.9	0.4	-	-	-	-	-	-	-	-	-	-
MS Contin Reformulated (Abuse Deterrent) (4)	1.5	21.4	9.4	22.9	4.5	-	-	-	-	-	-	-	27.4
Redacted	1.1	5.6	3.5	-	-	-	-	-	-	-	-	-	-
HCA - Hydrocodone APAP (Vicodin ADF)	-	-	1.5	5.7	11.4	-	-	-	-	-	-	-	17.1
New Initiatives	-	-	3.0	11.9	18.9	2.6	-	-	-	-	-	-	33.4
Total Development Projects	214.2	186.3	144.6	93.5	54.9	9.5	0.1	-	-	-	-	-	158.0
Project Support (5)	16.0	2.6	3.2	11.6	10.0	5.0	-	-	-	-	-	-	26.6
Discovery Support (6)	16.4	14.8	10.0	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	56.3
Total Available for Project Support & New Initiatives	32.4	17.4	13.2	17.9	16.3	11.3	6.3	6.3	6.3	6.3	6.3	6.3	82.9
Market Support (7)	49.9	50.7	42.3	41.2	41.2	41.2	41.2	36.2	26.2	16.2	16.2	16.2	276.2
Underspend Estimate	-	(24.5)	(5.0)	(3.5)	3.5	-	-	-	-	-	-	-	-
Total R&D + Medical Affairs Group	\$ 296.5	\$ 229.9	195.0	149.2	\$ 115.9	\$ 62.0	\$ 47.6 \$	42.5 \$	32.5	\$ 22.5	\$ 22.5	\$ 22.5	\$ 517.1
R&D Expense As A % of Net Sales	14.5%	15.0%	10.8%	11.6%	N.A.	N.A.	N.A.	N.A.	N.A	N.A.	N.A.	N.A.	_

Note 1: Includes Pediatric PREA expense.



Note 2: Excludes Pediatric PREA expense.

Note 3: Includes all expenses through NDA submission and review period.

Note 4: Assumes spend through FDA filing.

Note 5: Project Support includes spend in Medical Research, Nonclinical and Project Management not specifically allocated to projects. It also includes Cranbury Occupancy. Reduced to \$0 after 2017 as projects reach completion.

Note 6: Discovery Support excludes Cranbury occupancy costs included in Project Support.

Note 7: Market Support includes non project related spend in Risk Management, Regulatory, Drug Safety and Medical Affairs. It also includes Stamford Occupancy.

2015 Budget Proposal Sales Rep Bonus – Rules of the Road



2014 Budget Proposal – Sales Bonus

CURRENCY

	20	14	20	14
	On-target Compensation Potential C			mpensation
<u>Compensation</u>	\$ '000	% Total	\$ '000	% Total
Variable Pay				
- sales related	46.6	36.4%	124.6	60.5%
- non-sales related	0	0.0%	0	0.0%
Total Variable Pay	46.6	36.4%	125	60.5%
Non-variable Pay (i.e. Fixed base Salary)	81.3	63.6%	81.3	39.5%
TOTAL COMPENSATION	127.9	100.0%	205.9	100.0%

2013 achievement	On-target and above	<u>Maximum</u>	
- number of reps	205	0	
- as % of total sales reps	40.3%	0.0%	
Total sales reps @ 31.12.13 =	509		

RATIOS

	<u>201</u> 4	201	4	
	On-target Com	Potential Con	npensation	
Compensation	vs. Basic (=100)	% Total	vs. Basic (=100)	% Total
Variable Pay				
- sales related	57.3	36.4%	153.3	60.5%
- non-sales related	0	0.0%	0	0.0%
Total Variable Pay	57.3	36.4%	153.3	60.5%
Non-variable Pay (i.e. Fixed base Salary)	100.0	63.6%	100.0	39.5%
TOTAL COMPENSATION	157.3	100.0%	253.3	100.0%

Estimated 2013 achievement	On-target and above	<u>Maximum</u>	
- number of reps	205	0	
- as % of total sales reps	40.3%	0.0%	
Total sales reps @ 31.12.13 =	509		



2015 Budget Proposal Capital



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2015 Budget: Capital Request 233.5 MM

Project Name	Capital Budget
Project Breeze Human Cost of Capital 2015 - 2016 (1)	\$ 14,100,000
2015 Hardware Refresh	5,499,926
2015W 2D Bar Code Serialization Compliance (2)	1,700,000
2015W IBC Containment	995,000
PC Refresh 2015	485,500
Regulatory Submission System	474,000
2015 Rebate Management Software	350,000
Office 365 Advanced Features Strategy and Implementation	340,000
Homogenizer Mixer for LTS West Caldwell- 2nd Gen Butrans (3)	330,000
2015W General Equipment Projects	300,000
2015W Office Window Replacement	300,000
Other Projects < \$300,000	3,659,000
sub-total	\$ 28,533,426
President's Reserve Request *	
Digital Detailing (4)	\$ 4,000,000
General Project Reserve	1,000,000
2015 Capital Request	\$ 33,533,426

Note:

- (1) Under U.S. GAAP Purdue must capitalize the costs of internal staff required to construct the building, infrastructure, and complete the validation process required for the site approval in late 2016. In previous years this amount was expensed via cost centers due to immateriality.
- (2) 2D Bar Code on each bottle of Purdue's products is required by U.S. Drug Quality and Security Act (DQSA) and industry is obliged to be implemented by 2017, possibly sooner for international products.
- (3) Equipment costs paid by Purdue are recouped via discounts off contracted product rates under separate agreement with LTS.
- (4) Develop Digital Detailing platform for reps to deliver content to HCPs via i-Pads.

^{*} Initiation of project is contingent on presenting a full project plan, justification and budget to the Capital Committee and President/CEO.



2015 Budget Proposal -Brand Business Unit P&L



2015 Budget Proposal - OxyContin P&L

	2013 Actual		013 Actual 2014 Budg		2014 Latest udget Estimate			5 Budget roposal	Variance '15 v '14	E	2016 stimate	Variance '16 v '15
(<u>\$MM's)</u> Gross Sales (1)	\$	2,525.6	\$	1,977.3	\$	2,281.5	\$	1,620.4		\$	1,600.1	
Net Sales		1,837.6		1,306.0		1,566.6		1,000.9	-36%		914.7	-9%
Rebates as % of Gross Sales (2)		23%		28%		27%		33%			38%	
COGS/Shipping & Warehousing		(67.2)		(46.3)		(58.5)		(33.6)				
Royalty Expense/Amort. of Milestone Pymts.		(107.3)		(78.5)		(92.5)		(47.7)				
Gross Profit		1,663.0		1,181.1		1,415.6		919.6	-35%			
Marketing Expense		(18.8)		(24.4)		(21.6)		(21.3)				
Sales Force Expense (3)		(65.3)		(84.4)		(86.1)		(71.5)				
Product Spending		(84.1)		(108.8)		(107.7)		(92.8)	-14%			
Product Spending as % of Net Sales		5%		8%		7%		9%				
G & A Allocation		(76.1)		(64.5)		(65.5)		(66.6)				
		Redacted	k									
R&D Market Support (5)		(45.8)		(41.9)		(43.4)		(25.3)				
Insurance Income/Settlement Expense		(40.6)		0.9		0.2		0.5				
Health Care Reform Fee (6)		(28.7)		(27.9)		(32.0)		(13.2)				
Healthcare Reform Fee Change in Accounting		-				(27.3)		-				
Other Expenses		(233.8)		(149.1)		(194.8)		(131.1)				
Product Contribution	\$	1,345.1	\$	923.3	\$	1,113.1	\$	695.7	-37%			
Product Contribution %		73%		71%		71%		70%				

- (1) 2015 Budget includes price increase of 6.0% in 2015 and a settlement agreement gross sales impact of \$577 mm.
- (2) The increase in the blended rebate rate is from 27% to 33% is due to higher rebate rebate rates in the commercial and Medicare Part D channels to maintain formulary coverage.
- (3) Sales Force includes allocation of Sales Force, Sales Operations, Sales Training, and 50 rep contract sales force. Total 2015 costs are allocated to OxyContin assuming 45% of PDEs.

Redacted

(5) Consists of allocated costs of classwide REMs, RADARs, Health Policy and adverse events/product complaints processing of \$18.8 mm, FDA User fees of \$1.9 mm and other of \$4.6 mm.



(6) Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to OxyContin based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2014 the change in accounting to catch up to accruing on current year sales is \$27.3 mm.

2015 Budget Proposal – Butrans Inception to date P&L

(\$MM's)	2009	& Prior	2010	2011	2012	2013		2014	201	4 Latest	201	5 Budget	Variance		2016	Variance
		Actual	Actual	Actual	Actual	Actual		Budget	1	Estimate	ı	Proposal	'15 v '14		Estimate	'16 v '15
Gross Sales	\$	-	\$ -	\$ 73.5	\$ 112.9	\$ 147.4	\$	188.8	\$	192.5	\$	242.8			264.1	
Net Sales (1)		_	_	-	96.2	111.2		124.8		121.9		140.5	15%	1	\$156.2	11%
Rebates as % of Gross Sales (2)				4.2%	5.4%	12.8%		18.9%		24.9%		32.5%		_	33.4%	
COGS/Shipping & Warehousing		-	(0.9)	(6.9)	(8.5)	(4.7)		(7.2)		(7.8)		(9.8)				
Royalty Expense/Amort. of Milestone Pymts. (3)		-	-	(3.4)	(4.5)	(6.4)		(7.7)		(8.0)		(7.9)				
Gross Profit		-	(0.9)	45.7	83.2	100.1		109.9		106.1		122.8	16%			
Marketing Expense (4)		0.0	(6.7)	(28.1)	(20.4)	(19.3)		(17.3)		(16.4)		(17.1)				
Sales Force Expense (5)		0.0	0.0	(92.4)	(85.5)	(77.7)		(62.3)		(65.0)		(41.3)				
Product Spending			(6.7)	(120.5)	(105.9)	(97.0)		(79.6)		(81.4)		(58.4)	-28%	7		
Product Spending as % of Net Sales			. ,	, ,	110.1%	87.2%		63.8%		66.8%		41.5%		_		
Other Expenses																
G & A Allocation at 6% of net sales		0.0	 0.0	 (3.4)	 (5.1)	 (6.2)		(8.1)		(8.4)		(8.4)				
R&D Market Support ⁽⁷⁾		0.0	 (8.9)	 (22.2)	 (17.1)	 (17.8)		(15.9)		(13.4)		(12.6)	!			
Health Care Reform Fee (8)		_	-	-	(1.2)	(0.7)		(0.4)		(0.8)		(2.5)				
Healthcare Reform Fee Accounting Restatement (8)		-	-	-	-	-		-		(2.3)		-				
Product Contribution	\$	_	\$ (16.8)	\$ (101.1)	\$ (47.0)	\$ (23.8)	\$	4.9	\$	(1.2)	\$	34.2				
Product Contribution as % of Net Sales					-48.8%	-21.5%		3.9%		-1.0%		24.3%				
Pre-Launch R&D		(461.2)	-	_	-	_		~		-		-				
R&D on Higher Strengths and 2nd Generation Patch			(26.1)	 (13.5)	(26.0)	 (15.3)		(7.5)		(7.5)		(20.9)				
Net Contribution	\$	(461.2)	\$ (42.9)	\$ (114.6)	\$ (73.0)	\$ (39.1)	\$	(2.6)	\$	(8.7)	\$	13.3				
Net Product Contribution as % of Net Sales					-75.8%	-35.2%		-2.1%		-7.1%		9.4%				
							Purd	lue Cumulat	ive In	vestment	\$	(729)	9)			

Notes:

- (1) Net sales is adjusted to move return rate true ups to prior period to show the underlying economics by year.
- (2) The increase in the blended rebate rate from 24.9% in 2014LE to 32.5% in 2015 Budget is primarily due to improved formulary coverage. Redacted
- (4) Marketing expenses include marketing education programs, market research, journal advertising, agency fees, e-marketing, patient savings card admin fees, conventions and other special promotions.
- (5) Sales force allocation is based upon call position and cost per call. Butrans primary calls are weighted at 82% in 2012 Actual, 58% in 2013 Actual, 33% in 2014 Latest Estimate, and 24% in 2015
- (7) R&D 2015 Budget is comprised of allocated costs of classwide REMs, RADARS, Health Policy and adverse events/product complaints processing of \$4.5 million, FDA User fees of \$1.0 million and costs of pediatric study of \$7.1 million.
- (8) Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to Butrans based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2014 the change in accounting to catch up to accruing on current year sales is \$2.3 mm. Sales to government increase in 2014 as a result of Medicare Part D and Medicaid formulary wins.
- (9) Per 12/20/13 Post-Mortem analysis, group wide IRR on Butrans was projected to be 8% after tax. Since that analysis, results have been better than plan.



2015 Budget Proposal - Hysingla P&L

(\$MM's)		2015	5 Budget	2016	Forecast	Variance '16 v '15
Gross Sales (1)		\$	77.2	\$	191.9	
Net Sales (2)			55.0		131.8	140%
Rebates as % of Gross Sal	es		12%		19%	
COGS/Shipping & Warehousing			(2.6)		(7.7)	
Royalty Expense/Amort. of Milestone Pymts.	(3)(4)		(6.0)		(12.2)	
Gross Profit	-		46.4		112.0	142%
Marketing Expense			(37.0)		(28.9)	
Sales Force Expense	(5)		(44.8)		(47.1)	
Product Spending			(81.8)		(76.0)	-7%
Product Spending as % of Net Sal	es		149%		58%	
G & A Allocation at 3% of net sales			(1.9)		(3.6)	
Redac	ted					
R&D Market Support	(7)		(17.4)		(10.8)	
Health Care Reform Fee	(8)		-		(4.3)	
Healthcare Reform Fee Change in Accounting	(8)		(1.1)		-	
Other Expenses			(24.8)		(21.3)	
Product Contribution	- -	\$	(60.2)	\$	14.7	124%
Product Contributions as % of Net Sal	es		-110%		11%	

- (1) Gross sales assumes pricing at \$327 average Rx in 2015 on a price parity with OxyContin on a strength by strength basis.
- (2) In 2015 it is assumed that 62% of business comes from the commercial channel with Tier 3 at rebates of 10%. The increase in the blended rebate rate from 12% to 19% between 2015 Budget and 2016 Estimate is primarily due to improved formulary coverage.

Redacted

- (4) Represents \$4.1 mm and \$4.0 mm approval milestones to Redacted and Abbott, respectively which are being amortized over a period of 5 years, through 2019.
- (5) Sales Force includes allocation of Sales Force, Sales Operations, Sales Training, and 50 rep contract sales force. Total costs are allocated to Hysingla assuming 33% of PDEs.

Redacted

- (7) Comprised of \$11.8 mm of expense for pediatric studies, \$2.6mm in Health Outcomes studies to support commercial strategy and \$2.5 mm in other fees and allocated expenses (including \$1 mm in Drug Safety and Pharmacovigilance and \$0.8MM in FDA fees)
- (8) Represents Purdue's portion of the \$2.8 billion industry fee, which is allocated to Hysingla based on Purdue's estimated prescription drug sales to the government as a % of total industry sales to government. In October 2014, the IRS published rules (re)defining that the fee should be calculated based on current year's sales. So in 2015 the change in accounting to catch up to accruing on current year sales is \$1.1 mm.



2015 Budget Proposal - Historical Laxatives P&L

(\$MM's)	2009 Actual	 2010 Actual	 2011 Actual	 2012 Actual	 2013 Actual	4 Latest Estimate	Budget Proposal	016 timate
GROSS SALES (1)	\$ 52.2	\$ 48.1	\$ 51.1	\$ 51.5	\$ 50.6	\$ 50.3	\$ 52.1	\$ 52.4
NET SALES	51.1	46.9	50.0	48.8	49.5	49.2	50.9	51.2
GROSS PROFIT	42.0	35.9	38.9	37.6	36.4	35.9	38.1	
Marketing Expense (2)	(11.8)	(15.5)	(13.8)	(14.3)	(15.1)	(13.5)	(11.2)	
Sales Force Expense (3)	(6.2)	(6.3)	(3.9)	(4.6)	(0.4)	(0.4)	(0.7)	
TOTAL PRODUCT SPENDING	(18.0)	(21.7)	(17.7)	(19.0)	(15.5)	(14.0)	(11.9)	
Product Spending as a % of Net Sales	35.3%	46.3%	35.4%	38.8%	31.3%	28.4%	23.3%	
OTHER EXPENSES (4)	 (11.2)	 (1.2)	(1.3)	(1.3)	(8.0)	 (8.0)	 (0.7)	
PRODUCT CONTRIBUTION	\$ 12.7	\$ 13.0	\$ 19.9	\$ 17.3	\$ 20.2	\$ 21.1	\$ 25.6	
Product Contribution %	24.9%	27.6%	39.8%	35.4%	40.7%	42.9%	50.2%	

⁽¹⁾ Laxatives includes Senokot, Senokot S, Colace and Peri-Colace Brands. The Gross Sales impact of product diversion is estimated at \$2.8 mm in 2013 and \$1.0 mm in 2012.



⁽²⁾ Marketing expenses include consumer advertising, co-op advertising, advertising and agency fees, samples, coupons and others.

⁽³⁾ Sales force expense includes cost of outside sales agents (Acosta). In 2012 and prior Laxatives were detailed in a tertiary position by sales force.

⁽⁴⁾ Other includes estimated R&D market support across Medical Services, Drug Safety, Regulatory and other support functions. 2009 Actual includes \$10.0 mm of costs related to product recall and qualification of Purdue Canada.

2015 Royalty & Milestone Expense Budget Proposal – OxyContin

(\$MMs)

		2009 2010 2011		2012	2013	2014	20	14 Latest	20	2015 Budget			
Redacted	, ,	ACT		ACT		ACT	 ACT	ACT	 Budget	E	stimate		Proposal
Net Sales ⁽³⁾	\$		\$	604.5	-\$	2.153.4	\$ 2.047.1	\$ 1.849.3	\$ 1.275.5	\$	1.555.5	\$	714.7

Royalty Calculated Before Cap⁽¹⁾:

Royalty Due⁽¹⁾:

Redacted

Redacted

Net Sales \$ - \$ 1,011.2 \$ 2,021.8 \$ 2,048.8 \$ 1,877.8 \$ 1,302.5 \$ 1,588.2 \$ 743.1

Royalty Due (2)

Total Royalty Expense

Milestone Amortization Expense⁽⁴⁾

Total Royalty & Milestone Expense

Redacted

Redacted

- (2) Redacted royalty equals Redacted of Net Sales prior to commencement of Redacted royalty payments (Sept. 2010) and Redacted of Net Sales thereafter.
- (3) The reduction in 2015 net sales is a result of decreasing demand, impact of settlement agreements, and additional Medicaid rebates that can only be deducted when the Proposed Rule becomes final. The 2015 net sales forecast assumes that the final CMS rules treat the new OxyContin as a line extension and that \$265 million of retroactive rebates will be due in 2015. The 2014 budget assumed that these rules would be finalized in 2014.
- (4) Milestones incurred at or subsequent to FDA approval are amortized through 2017 (expected useful life). See next slide for detail.



TREAT SUB PC 1246 OF 1249 VE ORDER

2015 Milestone Expense Budget Proposal

(\$MM's)

Redacted

Contract Execution

Broad Claim Patent (assumes patent issued)

Further Claim Patent (assumes patent issued)

Marketing Authorization in U.S. (Hydrocodone)

Redacted

License Fee

NDA Filing in U.S. (OxyContin)

NDA Approval in U.S. (OxyContin)

NDA Filing in U.S. (Hydrocodone)

NDA Approval in U.S. (Hydrocodone)

Total Milestones Paid⁽¹⁾

Milestone Amortization Expense⁽²⁾

2009 & Prior 2015 Budget Cumulative 2010 2011 2012 2013 2014 2014 Latest **ACT** ACT **ACT** ACT ACT **Budget Estimate** Proposal Payment



- (1) Ex US milestones paid or to be paid by the end of 2014 total \$27.3 mm Redacted are not included above.
- (2) Milestones incurred prior to FDA approval are expensed immediately (100%). Milestones incurred at or subsequent to FDA approval are amortized over their expected useful life. Additional \$1.6MM versus 2014 is related to hydrocodone.



2015 Budget Wrap Up



Mark Timney November 2014

Conclusion

Strong 2014 Performance

- ✓ Sales \$273 million above budget
- ✓ Expenses \$293 million below 2013
- ✓ Net income \$223 million above budget
- ✓ Hired top talent

Prepared for 2015

- ✓ Continue to stabilize and grow core business
- ✓ Launch Hysingla with optimal support
- ✓ Investing in business development to grow
- ✓ Continuing cost discipline and culture change



	19 23649 shtm: Dec.2249-13: on Filed 01/31/21: or Eistened 01/11/21: 23:09:07on: E	Exhibit 13	
20	15 PURDUE SUMMARY OBJECTIVES & KEY METRICS	Weight	Weighted Score
1.	Commercial Excellence a) Achieve \$1,227.2 mm in net sales – excluding any settlement impact b) Achieve \$55 mm net sales for Hysingla ER by 4Q2015	35%	
2.	 Preferred BD Partner a) Complete one (1) commercial product deal and one (1) development stage pipeline opportunity by 4Q2015 b) Establish Virtual Discovery core team, scouting network and informatics platform by 4Q2015 	20%	
3.	Adopt a Lean Operating Strategy a) Achieve Operating Expense of \$655.6 mm in 2015 b) Operating Profit Margin of \$435.6 mm in 2015	10%	
4.	Optimize the Pain Portfolio a) Maintain OxyContin exclusivity by settlement, litigation, and/or regulatory protection b) File Butrans 2 nd generation patch sNDA/NDA by 4Q2015 c) ADF Strategy: 1. Complete OCI Launch plan by 3Q2015 2. Achieve R & D Metrics	15%	
5.	Recruit, Retain, and Engage the Best People a) Implement Talent Management System by 4Q2015	10%	
6.	 Demonstrate Value to Our Customers a) Maintain >99% Delivery Performance for existing Purdue and Rhodes Products b) Obtain Certificate of Occupancy for Treyburn, NC site by 2Q2015 and Complete Product Registration batches by 4Q2015 c) Pass abuse-deterrent formulation legislation in five (5) states by 4Q2015 d) Six (6) MSL's to deliver: 1) OADP message to 80% of top 200 influencers 2Q2015, 2) Hysingla clinical overview to 40 Commercial/Medicare accounts 1Q2015, and to 10 accounts within Workers Comp, Medicaid, Pharmacy & Distribution and Long Term Care Market by 2Q2015 	10%	

SUSTAINED COMPLIANCE WITH LAWS, REGULATIONS, AND COMPANY POLICIES INCLUDING REGULATORY COMPLIANCE AND AT ALL SITES WITH NO MAJOR FINDINGS.